

PUBLIC ACCOUNTS COMMITTEE

(2001-2002)

TWENTY- SEVENTH REPORT

(THIRTEENTH LOK SABHA)

PURCHASE OF RESIDENCE FOR CONSULATE GENERAL OF INDIA

AT FRANKFURT

Ministry of External Affairs

Presented to Lok Sabha on 18 December, 2001

Laid in Rajya Sabha on 18 December, 2001

LOK SABHA SECRETARIAT

NEW DELHI

December, 2001 / Agrahayana, 1923 (Saka)

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INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this Twenty-Seventh Report on Paragraph 4.3 of the Report of C&AG of India for the year ended 31 March 1996, (No. 2 of 1997), Union Government (Civil) relating to "Purchase of Residence for Consulate General of India at Frankfurt".

2. The Report of the C&AG for the year ended 31 March, 1996 (No. 2 of 1997), Union Government (Civil) was laid on the Table of the House on 8 May, 1997.

3. The Committee took the evidence of the representatives of the Ministry of External Affairs on the subject at their sitting held on 26th April, 2001. The Committee considered and finalised this Report at their sitting held on 6 December, 2001. (*) Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix* to the Report.

5. The Committee would like to express their thanks to the Public Accounts Committee (2000-2001) for recording oral evidence of the representatives of the Ministry of External Affairs on Paragraph 4.3 and obtaining information for this Report.

6. The Committee would like to express their thanks to the officers of the Ministry of External Affairs for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

Narayan Datt Tewari,

Chairman, Public Accounts Committee

NEW DELHI;

6 December, 2001 / 15 Agrahayana 1923 (Saka)

R E P O R T

INTRODUCTORY

This report is based on paragraph No. 4.3 of Report No.2 of 1997 (civil) of C&AG of India for the year ended 31 March 1996 (annexed to this Report) relating to the "purchase of residence for Consulate General of India at Frankfurt". Audit scrutiny has revealed that the need for economy in government expenditure as well as the functional requirements of the post were not kept in view by the Ministry of External Affairs (MEA) while according sanction for the purchase of a property to serve as the residence for Head of Post/Consul General of India (CGI) at Frankfurt. Audit has brought into light the details of the aforesaid property as containing a big garden, four bed rooms, kitchen, store room, three bath rooms, dining room, drawing room, laundry room, reception room, guest room, study room, hobby room and garage. In addition, it contained a heated indoor swimming pool with a sauna bath cabin and a separate shower room. Audit has pointed out that the CGI had to incur regular expenditure on the maintenance of the swimming pool amounting to Rs. 6,44,772 between 1993 to 1995 alone and on heating of the pool and for pumping water into and out of the pool and that these recurring liabilities which were not quantifiable continue to be incurred by the MEA.

Evidence on a non-selected audit para

2. With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee of the 11th Lok Sabha in their 9th Report had made the following recommendation in connection with the remedial action to be taken by the respective Ministries on all the Audit paragraphs of the Reports of C&AG of India:

"The Committee recommend that remedial/corrective action taken notes on all paragraphs of the Reports of the C&AG (including those selected by the Committee for detailed examination), duly vetted by audit, be furnished to them through the Ministry of Finance (Department of Expenditure – Monitoring Cell) within a period of four months from the date of the laying of Audit Reports on the Table of the House starting from the Reports of the C&AG of India for the year ended 31 March 1996 onwards."

3. It has, however, been brought to the notice of the Committee by the C&AG in his successive reports on Union Accounts that not only most of the Ministries generally failed to adhere to the stipulated time schedule despite governmental instructions, but quite often the remedial action taken on audit paras not selected by the PAC for detailed scrutiny is far from satisfactory. The PAC considered the matter further at their sitting held on 8 August 2000 and decided to consider all the Remedial Action Taken replies on all the non-selected audit paras and also to take evidence on any of such non-selected audit paragraph if not satisfied with the Action Taken replies. Based on the decision of the Committee, the Government *vide* its communication dated 3rd October 2000 asked all the Ministries "to ensure that as soon as final ATNs are finalized duly vetted by Audit, 5 copies of the same be sent simultaneously to the respective Principal Directors of Audit in the office of C&AG for scrutiny before the PAC takes up the matter for further consideration and examination, if required".

4. In accordance with the procedure established on the recommendation of the Committee in their 9th Report during 11th Lok Sabha, the Ministry of External Affairs submitted the Remedial Action Taken Notes to the Committee on the Audit paragraph in question. Audit, while giving their vetting comments on the Action Taken Notes, had observed that the MEA had only tried to justify the purchase of the aforesaid property and had neither indicated the remedial action taken or proposed to be taken to reduce the running cost of maintaining the property nor had the Ministry showed its willingness to lay down norms/guidelines for purchase of such properties for diplomatic officials. Audit also commented that the MEA had not implemented the recommendation of Audit to dispose of the property and procure another property in its place. Dissatisfied with the Remedial Action Taken Notes submitted by the MEA and considering the significance of the subject in the larger context of ensuring economy and prudence in government expenditure while purchasing properties abroad involving precious foreign exchange, the Committee decided and accordingly took evidence of the MEA on 26 April 2001 in order to obtain further insight into the issues raised by Audit even though the Audit paragraph in question was not originally "selected" by the Committee during the concerned period. The Committee now proceed to examine the Audit para and the written and oral evidence tendered by the MEA.

Consulate General of India's (CGI) proposal to MEA –contradiction of Audit by MEA

5. Audit has reported that CGI at Frankfurt made a proposal to the MEA in February 1989 for purchase of a property in Kelkheim at a distance of 20 Km from Frankfurt with a plinth area of 666 sq. metre

and carpet area of 442 Sq. metre for a price of DM 1.6 million (Rs. 113.92 lakh at Rs. 7.12 per DM) for the residence of the CGI. The building was situated on a plot covering 1982 sq. metre. Audit has observed that the proposal was made on the ground that "the existing residence (hired) of the CGI had a carpet area of 220 sq. metre with a much small representational area and lawn." Audit pointed out that when the proposal was sent initially by CGI in November 1988, mentioning its price but without the details of accommodation, the MEA, in December 1988, conveyed DM one million (Rs. 84 lakh at Rs. 8.40 per DM) as the economic cost of the property to be purchased, but after the CGI intimated the MEA in February 1989 that no reduction in the price was possible, the MEA approved the purchase at a price of DM 1.6 million (Rs. 134.40 lakh at Rs. 8.40 per DM) plus 5.7 percent as estate agents commission, 2 percent as registration charges and 1 percent notary charges. Furthermore, Audit scrutiny has also revealed that the MEA sanctioned construction of an additional bathroom at a cost of DM 60,000 (Rs. 5.04 lakh at Rs. 8.40 per DM). Audit has mentioned the total expenditure incurred on the property to be DM 1700783.20 (Rs. 142.87 lakh).

6. During evidence, the Committee sought to know the details of the proposal of CGI and the basis of its approval by the MEA. The witness (Foreign Secretary) deposed as under:

"The property under discussion was purchased in April, 1989 at a cost of DM 1.6 million with a built-up area of 442 sq. m. This includes a reception area, which is essential for functional requirement of a Head of Post, of 137.1 sq. m. Thus, the living area for the Head of Post, exclusive to him his family members, India-based domestic servants and guest room, comes to 305 sq. m. This is comparable to the area generally provided to other Heads of Posts of India. The economic cost of DM 1 million referred to in the report has been calculated on the basis of a proposal made in 1988 for another property with a built-up area of 320 sq. m. It was not finally acquired because it was not functionally suitable.

The proposal for the property actually purchased was received in 1989 and it was a built-up area of 442 sq. m. Due to the increased area, its cost was indicated at DM 1.669 million and was within the economic cost of the then prevalent rentals in the area proposed. It so happened that the property, which was otherwise functionally suitable, had a swimming pool and a sauna as part of the whole package. As the building was suitable in all other respects and was within the economic calculation of the prices, the additional facility, though not essential, did not detract from the positive facilities and economy of the property. Ministry has noted for guidance for future that additional inessential facilities like swimming pool, sauna, etc. which may involve recurring costs, need to be avoided while acquiring property.

On being advised by the Ministry, it has been observed from the records that the cost of maintenance of the swimming pool has been considerably brought down from the levels prevalent in the period 1993-94. The Post has also been instructed to exercise restraint while incurring any expenditure on maintenance of the pool."

7. In view of the MEA's reply contradicting the findings of Audit on question of facts, the Committee further probed the issue and enquired whether there was only one property involved for which the CGI at Frankfurt had sent a proposal to the MEA which accepted the same after rejecting it in the first instance. The Foreign Secretary responded as under:

"As I explained in the statement, it was a different property. In area, it was less. We found that it was not functionally suitable. That was why that had been turned down. We bought the property that is now with us in 1989. It was another property with floor area that is larger than the one that was looked at in 1988. These are two different properties."

8. The Committee specifically asked the Foreign Secretary whether she differed from the Audit findings which refer to only one proposal in respect of a single property from the CGI at Frankfurt which was accepted by the MEA when the CGI intimated in February 1989 that no reduction in the price was possible. The Committee also sought to know as to how the Foreign Secretary could contradict Audit findings during evidence when the MEA had clearly stated in their Action Taken Notes as having agreed with the conclusions of the Audit. The Foreign Secretary's response was:

"It should have been properly explained that these are two different proposals."

9. Taking note of the lackadaisical manner in which MEA responded to the Audit in their written reply furnished in the Action Taken Note, the Committee asked MEA to submit revised Action Taken Note to the Committee. The MEA, subsequently, in their post evidence reply have further explained:

"The first proposal referred as initial proposal by Audit was received in November 1988 and it was for a living area of 320 sqm on a plot area of approximately 2000 sqm. Though

the proposal had not come in the prescribed format, yet the Ministry extrapolated the economic cost for the proposed property on the basis of rent that was being paid by the Consulate General for the house being occupied by Consul General at that point of time. It was computed that on these calculations, the economic cost of the proposed purchase should have been of the order of DM 1 million, compared to the asking price of DM 1.675 million plus agent's fee @ 5.7% of the cost. Accordingly, the Mission was advised about the economic non-viability of the proposal.

In their subsequent proposal received in February 1989 and supported by prescribed purchase proforma and other relevant data/documents, the Consulate General projected 442 sqm as built-up area on a plot of 1982 sqm. The asking price was mentioned as DM 1.6 million, with agent's commission @5.7%, registration fee at 2%, & notarial fees at 1% of the sale price. Applying the usual norms in determining the economic viability of the proposal, the economic cost came to be DM 1.699 million, which corresponded to the cost projected in this proposal, and thus, the Ministry accorded their approval to the purchase of the property.

Had the above details been suitably explained to the Audit, the economic viability of acquisition would have perhaps come out clearer. Viewed thus, the Ministry agrees with the facts and figures mentioned in the audit paragraphs and the main conclusions of the Audit."

Arbitrary decision in the absence of norms

10. The supplementary instructions no. XVII of Annexure X of the IFS (PLCA) Rules provide that while fixing plinth area ceiling for residential accommodation for officers of different categories, the ceiling for Ambassador and Minister level officers would be "decided on merit." Audit has observed that considering the need for economy in government expenditure and the fact that the said instruction also recognizes "that there should be a fair relationship between the norms fixed in India and those applicable abroad", the normal presumption would be that the ceiling for Ambassadors and Ministers would not be too far removed from the plinth ceiling of 170 square metre as fixed under the above instruction for counsellor-level officers.

11. Furthermore, Audit scrutiny has revealed that no records were available explaining why a residence with an indoor heated swimming pool and sauna bath was considered necessary to be purchased at a cost which was over 60 per cent higher than the economic cost computed by the Ministry. Audit thus concluded that the purchase was not consistent with the need for economy in government expenditure and it also far exceeded the representational needs of a Grade-III officer. Audit has therefore, recommended that in order to avoid such high cost purchases in future, MEA should fix specific norms in terms of plinth area and facilities for residential accommodation of officers in the grade of Ambassadors and Ministers. In so far as the property at Frankfurt is concerned, Audit has suggested that the MEA should dispose it of and procure another property in accordance with the norms applicable.

12. On the question of ceiling of plinth area and extent of facilities for the residential accommodation of a Head of Post and their functional requirement, the MEA have in their Remedial Action Taken Note to the Committee stated as under:

"Head of Post is the representative of the Government of India and embodies in him the pride and prestige of the country. Unlike an official to the Government of India, based in India, the activities and functions of a Head of post abroad are much wider. In order to discharge his official and representational obligations in a befitting manner, it is essential that the residence of a head of Post is adequate and has amenities which are useful. It is all the more important for the Counsul General in Frankfurt as the city is the base for numerous banks both German and foreign and is also host to a very large and important business community. Periodic entertainment of both the banking and business communities is a necessity. Hence it is not correct to state that the 'indicative' ceiling for a counsellor should have a bearing on the residential accommodation of a Head of post."

13. The Ministry further explained about the property in their Action Taken Note *ibid* that:-

"Though the plinth area/carpet area of the residence of the Consul General seems large the property consists of only 3 bedrooms, study besides the drawing/dining rooms, the guest room and the hobby room in the basement. It is the representational areas which are large as they should be. As per appendix-I of Annexure x of the IFS(PLCA) Rules, officers of the rank of

Counsellor with more than two children over six years living with them are entitled to accommodation of upto 6 rooms. Given the level of representational activities of the Consul General, the number of rooms are barely adequate even though the plinth area is larger. It may be mentioned that construction of houses in Germany are not necessarily as per the norms laid down by the Government of India for its officers/staff and to locate accommodation strictly on the basis of laid down norms is simply not possible.

Further, representational functions of the Consul General being what they are, need appropriate space and facilities and if these are available as part of the residence, the residence becomes more useful and attractive. Viewed in this context, it would not be ideal to compare the requirements of accommodation and space of Consul General with equivalent officers in India whose functional requirements of accommodation are entirely different and who would also not be required to carry out representational functions at his residence.

The large representational area, the area assigned to the swimming pool, the large area in the basement (except the guest room and the servants quarters) primarily serve the representational requirements of the Consul General and not his personal daily requirements.

The garden attached to the property has proved most useful for holding of large receptions on days of national importance and during the visit of dignitaries to Frankfurt from time to time."

14. As regards the justification for maintaining a swimming pool at the residence of the Counsul General, the MEA explained in their Action Taken Note:

"The swimming pool formed part of the property and was not the primary consideration for purchasing this property. It has been proved to be an useful and valuable asset to the Consul General to meet his representational obligations. The Ministry do agree that swimming pool and sauna bath may not be of general relevance to the functional requirements of the Consul General. In the instant case, the swimming pool formed part of the house and was within the package, which was otherwise economically viable."

15. The MEA, however, assured the Committee in their Action Taken Note *ibid* that:

"Future purchases of Government of India property would consider the observations made to avoid purchase of property with inessential and expensive appurtenance having recurring expenditure. The Mission have been instructed to exercise restraint to meet any unnecessary expenditure on the maintenance of the swimming pool."

16. Justifying the purchase of the property, the MEA have stated that:

"The present property was identified and found to be most suitable as per the existing norms for purchase of property. The property was purchased keeping in mind the functional requirements as well as economy after it was inspected by AS(FA) and JS(Estt.). Similar property was not available in and around Frankfurt at that time at a lower price."

17. The MEA, further held the assurance that the recommendations of Audit to dispose of the property and procure another property is noted.

18. The Committee, then, raised the issue of guidelines/parameters governing the procurement of the residence of diplomatic officials such as the CGI at Frankfurt and the necessity for having the plinth area of 666 sq.meters in the instant case far beyond the prescribed ceiling of 170 sq. metre. The MEA, in reply, stated that for Heads of Missions and Heads of Posts, norms do not exist and added that:

"It is not desirable to fix universal norms in this regard. Fixing of universal norms will not be economically prudent. It is also not desirable to have the same norms in the less important countries as in politically active countries. So, as a result, it is not possible, taking our functional activities in view, to fix norms because in a smaller Mission, less active Mission or less important Mission, automatically, the requirement is less. So as a result, we have not fixed universal norms."

19. In their post-evidence reply, the MEA have further informed:

"The IFS (PLCA) Rules specifically prescribe space norms for the accommodation up to the level of counsellors equivalent to Directors to Government of India. However, no space norms have been fixed for Heads of Missions and Heads of Posts as the duties and responsibilities of these officers vary from region to region in different countries/stations. Space norms for these officers are decided on a case-to-case basis. The Consul General at Frankfurt is a Joint Secretary (Grade-III level officer) to the Government of India."

Conclusions and Recommendations

20. Taking serious note of the prevailing laxity and the formalistic ritual with which the Action Taken Notes (ATNs) on the non-selected Audit Paras are generally furnished, the Committee at their sitting held on 8th August, 2000 decided to examine all the ATNs and, if necessary, to take oral evidence of the concerned Ministries/Departments. The decision of the Committee was, accordingly, reiterated by the Government to all the Ministries/Departments. Pursuant to their decision to consider and examine even the non-selected paras, and considering the relative significance of the subject relating to purchase of residence for Head of Post/Consul-General abroad by the MEA and the need for effecting economy and prudence in Government expenditure, , the Committee took oral evidence of the representative of the MEA. Keeping in view the objectives of ATNs to strengthen the accountability procedures, bring systemic improvement, effect austerity, pinpoint failures and lapses and take deterrent action , the Committee urge upon all the Ministries/Departments to ensure that the ATNs are prepared expeditiously within the stipulated time with due care.

21. Audit scrutiny has revealed that the need for economy in government expenditure and the functional requirements of the position of Head of Post/Consul General of India (CGI) at Frankfurt were not kept in view by the MEA while according sanction for the purchase of a property to serve as the residence for Head of Post who is of the level of Joint Secretary to Government of India. Audit has described the aforesaid property as containing a big garden, four bed rooms, kitchen, store room, guest room, study room, hobby room and garage. In addition, it contained a heated indoor swimming pool with a sauna bath cabin and a separate shower room but without any recorded justification as to whether such facilities were considered necessary to be purchased at a cost 60 percent higher than the economic cost computed by MEA. According to Audit, the MEA incurred recurring expenditure on maintenance of the Swimming Pool amounting to Rs. 6,44,772 between 1993 to 1995 alone in addition to other expenditure which were not quantifiable.

22. Asked to explain the functional necessity of buying the property with such appurtenances as indoor heated swimming pool and sauna bath involving large recurring expenditure as pointed out by Audit, the MEA stated that in order to discharge his official and representational obligations in a befitting manner, it is essential that the residence of Head of Post is adequate and has amenities which are useful and that the large representation area in the residence including the swimming pool primarily serve the representational requirements of the Head of Post/CGI and not his personal daily requirements. The Committee note that the MEA have assured that while making future purchases of property they would seek to avoid inessential and expensive appurtenances having recurring expenditure and that they have instructed the Mission at Frankfurt to exercise restraint to meet any unnecessary expenditure on the maintenance of the swimming pool. The Committee find the MEA's reply rather non-committal as they have stated that the main Audit recommendation to dispose of the property in question and to procure another property in its place has been noted. The Committee hope that the MEA would take appropriate action keeping in view the need for austerity in governmental expenditure and review the necessity for maintaining a property at such a prohibitive cost as the residence of Consul General/Head of Post. The Committee would also like to be apprised in due course as to the number of such residences having facilities like swimming pool, sauna baths etc. and the maintenance expenditure incurred thereon during the last three years.

23. The Committee note that the draft Audit para relating to the matter was referred by the Audit to the MEA in May 1996 but since the MEA did not reply uptill December, 1996, the C&AG eventually reported the matter to Parliament. The Committee further note that to the specific query in the format for furnishing Action Taken Notes, requiring the Ministry to say whether they agree with the facts and figures included in the Audit Paragraph, the MEA replied in the affirmative. The MEA also responded in the affirmative with regard to the conclusions drawn by Audit in the matter. Further, the MEA held out the assurance with respect to the Audit recommendation to dispose of the property and to purchase another property by stating that the recommendation has been noted and that the Missions have been instructed to exercise restraint and to avoid expenditure on inessential and expensive appurtenances. The Committee, however, found that during the evidence, the Foreign Secretary, made a volte-face by stating that there were two different proposals with regard to purchase of a property to serve as a residence for Head of Post at Frankfurt and that the factual position should have been properly explained

to the Audit. In view of the fact that the oral deposition of the Foreign Secretary was diametrically opposite to what was stated in the written reply, the Committee gave yet another opportunity to the MEA to furnish their revised factual note in the matter. The Committee observe that in their revised note the MEA eventually agreed with the facts, figures and conclusions of the Audit with regard to the property in question. The Ministry have thus chosen to reply to Parliament on a matter under their scrutiny without exercising proper care. Such an attitude of callousness is very unfortunate and totally unacceptable. The Committee, while refraining from taking further steps for furnishing incorrect information to Parliament, would like to caution and admonish the MEA against this attitude and want them to show utmost care and prompt attention to Audit observations which highlighted many acts of omissions and commissions in our Embassies/Missions spread all across the globe which would have remained undetected but for searching Audit scrutiny. In order to ensure that our Embassies/ Missions and the High functionaries in them adhere to the governmental instructions scrupulously and observe the principles of financial propriety and prudence as contained in the General Financial Rules, the Committee recommend that the MEA put institutional arrangement in place for regular review of pending ATNs, respond to draft Audit paras within the stipulated time and see that facts and figures quoted by Audit are corrected at draft para stage before their final inclusion in the Reports of C&AG. The Committee hardly need to reiterate that all questions of facts on which Audit conclusions are based ought to be resolved before their inclusion in the Reports of C&AG which stand committed to the PAC once tabled in Parliament.

24. It was submitted to the Committee that it is not desirable to fix universal norms for the residence of Heads of Missions and Heads of Posts, and that, at present, space norms exist only for accommodation up to the level of Counsellors equivalent to Directors to Government of India. The Consul-General at Frankfurt being of the rank of Joint Secretary to the Government of India, no norms exist for his residence. The Committee consider the contention of the MEA rather untenable that universal norms are not desirable for the residence of diplomatic officials posted abroad such as the Consul General of India (CGI). The Committee are of the considered view that laying of norms for the residence of all diplomatic officials is both desirable and feasible and therefore, recommend that the MEA should devise clear norms for the residence of all diplomatic officials posted abroad with a certain degree of built-in flexibility to allow for local variations, if so warranted. The Committee hope that the MEA would certainly evolve suitable norms in this behalf in due course.

Narayan Datt Tiwari

Chairman, Public Accounts Committee

NEW DELHI;

6 December, 2001 (15 Agrahayana 1923 (Saka))