CHAPTER VII: MINISTRY OF COMMERCE

7.1 Wasteful expenditure on rent

The Embassy of India at Brussels and Ministry of Commerce were negligent in not terminating the lease of the building for the erstwhile India Trade Centre, which was not required at all and thereby wasted Rs 88.22 lakh on rent.

Ministry of Commerce decided in October 1995 to reduce the staff strength in the erstwhile India Trade Centre (ITC) at Brussels and merge its reduced strength with the commerce wing of the Embassy of India at Brussels.

The erstwhile ITC was accommodated in a leased building consisting of 410 square metres at an annual rent of BF 2.3 million. The lease was for nine years from 15 June 1991. Both parties had option to terminate the lease at the end of the third and the sixth year, i.e., in June 1994 and 1997, after giving six month's notice.

Consequent upon reduction of the strength of ITC in October 1995, the Mission had a clear option to terminate the lease in June 1997, after giving six month's notice. Yet, it continued with the lease and paid rent of BF 8.24 million during June 1997 to December 2000. Moreover, the Ministry had approved in April 1997 itself the proposal to shift the erstwhile ITC wing to the Mission at Brussels, after renovation of the garage consisting of 130 square metres at an estimated expenditure of BF 6.9 million, equivalent to Rs 74 lakh[1].

The total expenditure on rent for the leased building during June 1997 to December 2000 aggregating BF 8.24 million equivalent to Rs 88.22 lakh[1] was entirely avoidable. The Mission and the Ministry failed to plan the relocation of the ITC wing efficiently and were not vigilant to avoid wasteful expenditure, immediately after the reduction in staff strength in October 1995. What is worse, the Mission paid rent for a building for three years, most of which could not be utilised by them anyway, due to less requirement of accommodation by the residual ITC.

The negligent attitude of the Mission and the Ministry towards the wasteful expenditure of Rs 88.22 lakh on rent, calls for fixing responsibility.

Audit reported the matter to the Ministry in May 2000; who have not replied as of February 2001.

[1] At the official exchange rate of Re 1=BF 0.934 notified by MEA for March 2000

7.2 Unauthorised expenditure on staff costs

The Ministry of Commerce has no system in place to ensure that the Indian Missions abroad with commercial wings rigorously follow the Ministry's sanctions of staff. Test check in the Indian Embassies in Berne and Bonn revealed unauthorised expenditure of over Rs 48 lakh on staff costs for the period covered by audit, which persisted even after the audit commented on the issue.

The Embassies of India (EsI) at Berne and Bonn continued to engage office staff unauthorisedly for their commercial wings, even after the Ministry of Commerce (MOC) had relocated or discontinued the sanctions to operate those posts as detailed below:

The EsI	Posts	Duration of operation without sanction	Details	Expenditure incurred (Rs in lakh)
Berne	a. Marketing Officer	01 March 1999 to 30 April 2000*	The EI Berne continued to operate those posts manned by the local employees regardless of the MOC's instructions to transfer those posts to other Missions at Budapest, Madrid and Ankara, because of lack of commercial activity at Berne.	**27.05
	b. Clerk/Typist	1 March 1999 to 29 December 1999		
	c. Office Attendant	1 March 1999 to 27 November 1999		
Bonn	a. Market Research Officer	1 December 1999 to 31 December 2000 (still continuing)	The EI continued to operate those local posts regardless of the MOC's discontinuance of those posts.	**21.71
	b. Statistical Assistant			
Total				*****48.76**

* The post has been taken in MEA's budget with effect from May 2000.

** Rs equivalent of the expenditure per prevalent rate of exchange incurred during the period.

*** As the unauthorised expenditure continues, this amount is only indicative and pertains to different periods in time, as verified in audit on spot check.

The EsI Berne and Bonn said that they were corresponding with the MOC, as the embassies needed those staff. On a separate enquiry, the MOC admitted in August 2000 that there were similar cases when the Indian Missions abroad continued the posts in commercial wings regardless of the MOC's instructions, and the Ministry later accepted the expenditure on ex-post facto basis in consultation with them. The MOC said that it was the responsibility of the PAO at the respective missions to ascertain that salary was drawn only for the duly sanctioned staff, and it was not feasible to scrutinise the related check at the Ministry for over 65 regular commercial missions where it provided funds.

The replies of the EsI and the MOC showed that the system of internal check and control both in the embassies and at the MOC had broken down. The Drawing and Disbursing Officers (DDOs) at the embassies did not apparently exercise any check before passing salary bills for payments. The competent authority to sanction posts in the commercial wings, viz. the MOC, did not have any system in place to ensure that the Missions complied with the Ministry's sanctions. Given the fact that the Heads of Missions are under the administrative control of a different Ministry, viz. the Ministry of External Affairs (MEA), it was all the more necessary for the MOC to ensure that a systemic check was in place to ensure compliance of its sanctions and to avoid unauthorised expenditure in foreign exchange of a recurring nature.

After forwarding the Draft Paragraph to the MOC, Audit came across copies of sanctions of the MOC conveying ex-post facto sanction for the continuance of posts for the year 1999-2000 and 2000-2001 on 22 December 2000 in respect of temporary posts of commercial wings at the Embassies of India at Paris, Rome, Moscow and Stockholm, which should have been issued before 28 February 1999 and 29 February 2000 respectively. It indicated that MOC treated the matter of continuance of post casually. This also encouraged the Missions to continue the posts without sanction in the expectation of obtaining post facto approval of the Ministry.

For all the 65 regular commercial missions funded by the MOC, it needs to: (a) immediately review the position of deployed staff vis-à-vis sanctioned staff; (b) issue clear instructions to the missions, copied to the Foreign Secretary, to discontinue all staff not supported by the MOC's sanctions, (c) discontinue forthwith the practice of approving unauthorised staff costs on ex-post facto basis, (d) establish systemic checks to ensure that its sanctions were not vitiated at the operating level, especially with foreign exchange implications on recurring basis, and (e) fix responsibility, in association with the MEA, for incurrence of unauthorised expenditure on continued basis on staff costs.

Audit reported the matter to the MOC in May/September 2000, who have not replied as of February 2001.

7.3 Failure to recover excess payment

Joint Director General of Foreign Trade, Chennai failed to recover Rs 26.81 lakh (inclusive of interest) from the exporters.

Test check of accounts in the Office of the Joint Director General of Foreign Trade (JDGFT), Chennai disclosed excess payment of Rs 40.60 lakh to the exporters in two cases by ignoring the directives of the Director General of Foreign Trade (DGFT) and wrongly reimbursing Central Excise Duties CEDs.

(i) JDGFT, Chennai ignored the directives of DGFT to impose a cut of 10 *per cent* for preferring application for fixation of rate of duty draw back after six months but before 12 months from the last date of supply. JDGFT paid entire amount of Rs 171.36 lakh in November 1999 without effecting the cut for the delayed preference of claim thereby making an excess payment of Rs 17.14 lakh to M/s Alstom Limited, Chennai.

On this being pointed out by Audit in February 2000, JDGFT noted it for adjustment of the amount in February 2001. Final recovery of the entire amount of Rs 17.14 lakh was awaited in audit.

(ii) In another case, JDGFT, Chennai did not recover Rs 26.09 lakh (Rs 23.46 lakh paid towards CED, in September 1993 and Rs 2.63 lakh interest thereon) from M/s Ashok Leyland Limited, Chennai. The payment of the same amount was also made separately to the firm by the Municipal Corporation of Greater Bombay which was the Project Authority. Despite orders of March 1994 for recovering it from the future claims of the firm, JDGFT started adjusting the excess payment only from 1996. JDGFT had adjusted recovery of Rs 16.42 lakh till December 2000 leaving a balance of Rs 9.67 lakh.

Despite Comptroller and Auditor General Audit Reports having brought out cases of similar excess payment in 1997, 1998, 1999 and 2000 for taking remedial/corrective measures, such excess payments continue to recur. It calls for investigation and strengthening of internal control procedure.