

LOSS OF REVENUE DUE TO IRREGULAR TAX EXEMPTION-SOUTH ASIAN UNIVERSITY (SAU)

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 80th Report (17th Lok Sabha)]

MINISTRY OF EXTERNAL AFFAIRS

**PUBLIC ACCOUNTS COMMITTEE
(2024-25)**

SECOND REPORT

EIGHTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

S E C O N D R E P O R T

PUBLIC ACCOUNTS COMMITTEE
(2024-25)

(EIGHTEENTH LOK SABHA)

**LOSS OF REVENUE DUE TO
IRREGULAR TAX EXEMPTION-SOUTH
ASIAN UNIVERSITY (SAU)**

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 80th Report (17th Lok Sabha)]



Presented to Lok Sabha on: **12.12.2024**

Laid in Rajya Sabha on: **12.12.2024**

L O K S A B H A S E C R E T A R I A T
N E W D E L H I

December 2024/ Agrahayana 1946 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE

(2024-25)

Shri K. C. Venugopal - Chairperson

MEMBERS

LOK SABHA

2. Shri T. R. Baalu
3. Dr. Nishikant Dubey
4. Shri Jagdambika Pal
5. Shri Jai Parkash
6. Shri Ravi Shankar Prasad
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21. Shri Tiruchi Siva
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Secretariat

- | | | |
|----------------------------|---|------------------|
| 1. Dr. Sanjeev Sharma | - | Joint Secretary |
| 2. Shri Muraleedharan. P | - | Director |
| 3. Shri Alok Mani Tripathi | - | Deputy Secretary |
| 4. Dr. Faiz Ahmad | - | Under Secretary |

INTRODUCTION

I, the Chairperson, Committee on Public Accounts (2024-25), having been authorised by the Committee, do present this second Report (Eighteenth Lok Sabha) on Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Eightieth Report (17th Lok Sabha) on "**Loss of Revenue due to irregular tax exemption-South Asian University (SAU)**" relating to the Ministry of External Affairs.

2. The Eightieth Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on 18.12.2023. The Committee considered the draft Action Taken Report on the subject and adopted the same at their sitting held on 03.12.2024. Minutes of the Sitting of the Committee form appendix to the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** in the body of the Report.

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

5. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the 80th Report (17th Lok Sabha) is given at Appendix-II

NEW DELHI:
03 December, 2024
12 Agrahayana, 1946 (Saka)

K. C. VENUGOPAL
Chairperson,
Public Accounts Committee

CHAPTER - I

REPORT

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Eightieth Report (17th Lok Sabha) on "Loss of Revenue due to irregular tax exemption-South Asian University (SAU)".

2. The Eightieth Report was presented to Lok Sabha/laid in Rajya Sabha on - 18.12.2023. It contained seven Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministry of External Affairs, and are categorized as under:

- (i) Observations/Recommendations which have been accepted by the Government:

Para Nos. 1, 2, 3, 4, 5, 6 and 7

Total: 7
Chapter - II

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Para No. NIL

Total: 0
Chapter - III

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para No. NIL

Total: 0
Chapter - IV

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies/no replies:

Para No. NIL

Total: 0
Chapter - V

3. The detailed examination of the subject by the Committee had revealed certain shortcomings/deficiencies on the part of the Ministry of External Affairs, which *inter-alia* included absence of foolproof standards of procedure for extending privileges to the officials concerned; lack of consultation and coordination; ineffective internal audit mechanism etc. The Committee had accordingly given their observations/recommendations in their Eightieth Report.

4. The Action Taken Notes furnished by the Ministry of External Affairs, on each of the Observations/Recommendations of the Committee contained in their Eightieth Report have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the action taken by the Government, on some of their Observations/Recommendations which either need reiteration or merit comments.

5. The Committee desire the Ministry of External Affairs to furnish Action Taken Notes in respect of Observations/ Recommendations contained in Chapter I of the Report, positively within three months of the presentation of the Report to the Parliament.

Need for a standard operating procedure

Paragraph 2 of PAC Report No. 80 (17th Lok Sabha)

6. *Noting from audit observation, the Committee found that the privileges were wrongly extended to the Registrar of the University for grant of income tax exemption vide issuance of the gazette notification in 2009. The Committee also noted that the reasons for inclusion of the post of Registrar in the Gazette notification were not on record. The Committee understand that the Government of India is required to make a gazette notification under the United Nations (Privileges and Immunities) Act, 1947 for extending the privileges to the University, the President and the members of the academic staff as envisaged under Article*

14 of the SAU Act. The notification was issued on 15 January, 2009 after the due process followed by the Ministry of External Affairs (MEA) wherein the draft texts were vetted by both the Legal & Treaty (L&T) Division of MEA and the Ministry of Law and Justice before issuance as asserted by the MEA. The Committee note that the MEA first became aware of the error of introducing the office of Registrar amongst the offices enjoying the privileges in the gazette notification in 2011 when the SAU approached MEA for a diplomatic identity card and tax exemption certificate for its first Registrar appointed in 2011 which demonstrates laxity and administrative negligence on part of the MEA. The Committee were of the view that the procedure followed for the issuance of gazette notification by the Ministry needs careful review and supervision. The notifications issued by the MEA may have consequences on international relations and impact sensitive foreign affairs. The Committee recommended that the Ministry should create a 'Procedural Standards Cell' which would examine all aspects of vetting before publishing any such document particularly in the Gazette of India and take necessary steps to guarantee that the necessary internal oversight is carried out in order to prevent such aberrations in the future.

7. The MEA in their Action Taken Notes have stated as under:-

"As recommended by the Committee, the Ministry has established a separate 'Procedural Standards Cell' under L&T division of the Ministry for examining all aspects related to provisions being notified and published through a gazette notification so as to prevent such aberrations in the future."

8. While vetting the above ATNs, the Audit made the following comments:-

"Status of establishment of a separate 'Procedural Standards Cell' may be appraised to PAC."

9. The Committee in their original report had pointed out that the South Asian University had wrongly extended the privilege of tax exemption certificate to its first Registrar by including the post of Registrar in the Gazette Notification, issued in year 2009, as per requirements under the United Nations (Privileges and Immunities) Act, 1947, and in concurrence with Article 14 of the SAU Act. They also expressed their surprise that his wrong inclusion of the post of Registrar went unchecked despite the gazette notification draft texts being vetted by various departments of Government of India.

The MEA became aware of this error in 2011 when the SAU approached the Ministry for a diplomatic identity card and tax exemption certificate for its first Registrar, appointed in 2011. This, according to the Committee, reflects a lapse of administrative negligence on the part of the Ministry. In their Action Takes Replies, the Ministry indicated that a separate 'Procedural Standard Cell' has been established under the L&T Division of the MEA to scrutinize all provisions being notified and published through a Gazette Notification to prevent such anomalies in future.

However, the Committee note that due to this erroneous inclusion of income tax exemption granted to the Registrar of the South Asian University, not only was there a loss to the exchequer amounting to Rs.90.06 lakhs, but it is also perceived that there was an apprehension of an adverse affect on the country's reputation, if this fact was disclosed. The Committee, therefore, recommend that the details of the reasons for the inclusion of the Registrar's post or any other beneficiary in the Gazette Notification should be clearly documented and apprised to the Committee.

Scrutiny by Income Tax Department

Paragraph 6 of PAC Report No. 80 (17th Lok Sabha)

10. *The Committee observed that as per the Article VI (5) of the Headquarters' Agreement, the persons enjoying the privileges and immunities enshrined in the Agreement shall be provided a special identity card by the protocol division of MEA which shall identify the holder in relation to appropriate authorities and certify that the holder enjoys the privileges and immunities in the agreement. The Committee felt that in case of non-issuance of any such special Identity Card, the tax exemption certificates issued by the SAU should have been considered void. The Committee note that there has been lack of vigilant scrutiny by the Income Tax Department in verifying the eligibility of individuals for tax exemptions and*

acceptance of such tax certificates without consultation with MEA. The Committee also found that the MEA lagged in providing timely information to the Income Tax Department despite being aware of the status of the wrongly extended tax exemption. The Committee emphasized the need for more vigilant and thorough approach in scrutinizing tax exemption certificate applications, more so in case of international organizations. Consequent to issuance of the amended notification in 2021 by MEA removing the post of Registrar from enjoying the wrongly extended privileges and immunities, the Committee would like to be apprised of the status of the recovery carried out by the Income Tax Department in this case.

11. The MEA in their Action Taken Notes have stated as under:-

“Ministry has taken up this matter with the Income Tax Department emphasizing the need for more vigilant and thorough approach in scrutinizing tax exemption certificate applications in case of international organizations. As regards the status of the recovery carried out by the Income Tax Department in this particular case, former Registrar has filed a Writ Petition on 30 April 2022 in the Delhi High Court against the Ministry’s amended notification of 13 May 2021. The Ministry has submitted its counter affidavit on 15 October 2022. The matter was last listed on 21st May 2024 wherein the Learned Counsel for the petitioner has taken adjournment for filing rejoinder in the matter in response to the counter affidavits and now has been fixed for completion of pleadings in next hearing on 5th September 2024.”

12. While vetting the above ATNs, the Audit made the following comments:-

“Ministry may apprise about the latest status to PAC.”

13. The MEA in their Action Taken Notes have emphasized upon the need for more vigilant and thorough approach in scrutinizing tax exemption certificate applications in case of international organizations. Regarding recovery of the due tax, the Action Taken Notes stated that the former Registrar has filed a Writ Petition on 30 April 2022 in the Delhi High Court against the Ministry’s amended notification of 13 May 2021. The Ministry has submitted its counter affidavit on 15 October 2022. The Committee were apprised that the matter was last listed on 21st May 2024 wherein the Learned Counsel for the petitioner has taken adjournment for filing rejoinder in the matter in

response to the counter affidavits and now has been fixed for completion of pleadings in next hearing on 5th September 2024. The latest status in the matter including the details of a foolproof mechanism developed so far should also be communicated to the Committee.

Internal Audit Mechanism

Paragraph 7 of PAC Report No. 80 (17th Lok Sabha)

14. *The Committee found that though there was a system of Internal Audit being conducted via independent auditor in the South Asian University, the University issued tax exemption certificates regularly while being aware of the ineligibility of the Registrar to receive such exemption from 2011-2020 i.e. even after audit made its observations. The Committee observed that a prudent attitude of the South Asian University towards the advice from MEA regarding the issuance of tax exemption certificates could have prevented substantial revenue loss to Government of India. The Committee strongly advised the MEA to liaise with SAU authorities and India's representatives in their Board of Governors to pursue for strengthening of the existent Internal Audit Mechanism by extending its scope to cover critical financial and operational areas that affect the interests of the Host country. The Committee desire to be kept informed about the concrete actions taken by the Ministry and SAU in response to this recommendation.*

15. The MEA in their Action Taken Notes have stated as under:-

“The Ministry has emphasized on the University the need for strengthening its mechanism to check for irregularities in its functioning. The matter of undue Income Tax exemption by the former Registrar of South Asian University was investigated by the University. A Fact Finding Committee was constituted in January 2021 which submitted its report in March 2021. Based on the Committee report, the University stopped giving tax exemption certificates to former Registrar from the financial year 2020-21 onwards. The University found the responsibility of former Registrar Dr. A.K. Malik (Retd. In July 2021), Mr. Wasim Ahmed (Official from Pakistan moved back to Pakistan in February 2018), Mr. KAD Pushpakeerthi (official from Sri Lanka moved back to Sri Lanka in March 2019) and Mr. Keshav Datt (under suspension since 04

August 2023). As all the responsible officials had left University thus SAU could not take any action on the responsible officials. The Ministry through the Governing Board has taken up the need to strengthen the existing internal audit mechanism of the University. Accordingly, the recent Governing Board meeting of SAU held on 18-19 December 2023 in Kathmandu decided that a due process shall be initiated to engage an internationally reputed auditing firm for carrying out the audit of the University.”

16. While vetting the above ATNs, the Audit made the following comments:-

“No further comments”

17. The Ministry in their ATN have stated that the recent Governing Board meeting of SAU held on 18-19 December 2023 in Kathmandu decided that a due process shall be initiated to engage an internationally reputed auditing firm for carrying out the audit of the University. However, the ATN has not furnished details of the due process/mechanism for undertaking the audit of the University to make it foolproof. The Committee, therefore in no uncertain words recommend that the details of the new mechanism should be mentioned and the name of the new auditing firm should also be communicated to the Committee along with the mandate and ambit of activities carried out by it so far in terms of the purpose for which it has been established.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

The Committee observe from the audit findings that in pursuance of the proposal to establish the South Asian University (SAU), a Headquarters' Agreement was signed by the member nations of the South Asian Association for Regional Cooperation (SAARC) for providing world-class facilities with a professional faculty to students and researchers drawn from the SAARC countries. To give effect to the Headquarters' Agreement, South Asian University Act of 2008 was introduced by the Government of India vide which the President and other faculty members were to enjoy such privileges as the Central Government may notify under section 3 of the United Nations (Privileges and Communities) Act, 1947, which essentially pertain to the privilege of exemption from paying taxes on their salary. Audit observed that there was a violation of the SAU Act of 2008 that was traced to the notification issued by the Ministry of External Affairs on January 15, 2009 for granting privileges i.e. exempting individuals holding notified offices from paying taxes on their salary, by erroneously including therein, the office of Registrar amongst the offices enjoying the privileges. As a result of the erroneous income tax amongst the offices enjoying the privileges. As a result of the erroneous income tax exemption granted to the Registrar, the exchequer suffered a lot of Rs. 90.06 lakh as reported by the Audit. The issues contained in the Report have been examined by the Committee and commented upon suitably in the succeeding paragraphs.

[Observations/Recommendation No. 1 of 80th Report of the Public
Accounts Committee (17th Lok Sabha)]

Action taken

Since the PAC Para No.1 is introductory, no comments of the Ministry.

(Ministry of External Affairs OM.No. BI-732/02/2022 dated 13/06/2024)

Vetting comments of Audit

No further comments.

This has been vetted by Audit vide No. R.R./15-10/2023-24/62 dt. 22.05.2024

Observation/Recommendation

From the audit observation, the Committee find that the privileges were wrongly extended to the Registrar of the University vide the gazette notification issued in 2009. The Committee also note that the reasons for inclusion of the post of Registrar in the Gazette notification were not on record. The Committee note from the reply of the Ministry that Government of India was required to make a gazette notification under the United Nations (Privileges and Immunities) Act, 1947 for extending the privileges to the University, the President and the members of the academic staff as envisaged under Article 14 of the SAU Act. As per the Ministry, the notification was issued on 15 January, 2009 after the due process followed by the Ministry of External Affairs (MEA) whereby the draft texts were vetted both by the L&T Division of MEA and the Ministry of Law and Justice before issuing the notification. The Committee note that the MEA first became aware of the error of including the office of Registrar amongst the offices enjoying the privileges in the gazette notification in 2011 when the MEA was approached for a diplomatic identity card and tax exemption certificate for its first Registrar who was appointed in 2011. The Committee are perplexed to note that an error crept in despite the notification being vetted by various departments of Government of India. The Committee are, therefore, of the view that the procedure followed for the issuance of gazette notification by the Ministry needs to be reviewed and strengthened,

more so for the notifications issued by the Ministry of External Affairs that may have International ramifications. The Committee in this regard feel it to be preferable to have a separate 'Procedural Standards Cell' for examining all aspects related to provisions being notified and published through a gazette notification so as to prevent such aberrations in the future.

[Observations/Recommendation No. 2 of 80th Report of the Public Accounts Committee (17thLokSabha)]

Action Taken

As recommended by the Committee, the Ministry is establishing a separate 'Procedural Standards Cell' for examining all aspects related to provisions being notified and published through a gazette notification so as to prevent such aberrations in the future.

Vetting comments of Audit

Status of establishment of a separate 'Procedural Standards Cell' may be apprised to PAC.

Updated Action Taken

As recommended by the Committee, the Ministry has established a separate 'Procedural Standards Cell' under L&T division of the Ministry for examining all aspects related to provisions being notified and published through a gazette notification so as to prevent such aberrations in the future.

(Ministry of External Affairs OM.No. BI-732/02/2022 dated 13/06/2024)

This has been vetted by Audit vide No. R.R./15-10/2023-24/62 dt. 22.05.2024

Observation/Recommendation

The Committee note that the Inter-Governmental Agreement signed for the establishment of the South Asian University by the member nations of the SAARC states that the Taxation and social protection of the citizens of the Founding States employed by the University is regulated in accordance with the national legislation of the respective States. The Committee note from the audit observations that the incumbents to the post of Registrar were Indian nationals who are subject to the taxation laws of the Government of India. However, the submission made by the MEA that the anomaly in the Gazette Notification was a genuine error which occurred at the time of printing and that there is no mala fide intention on the part of any officer of the Ministry is neither convincing nor sufficient to completely rule out the possibility of complicity. The Committee, therefore, desire that the Ministry investigate the matter in detail and take appropriate action on the officials who may be found responsible for the lapse.

[Observations/Recommendation No. 3 of 80th Report of the Public Accounts Committee (17th Lok Sabha)]

Action Taken

As recommended by the Committee, the Ministry investigated the matter once again in detail. However, it found that it was an error at the time of printing and there was no malafide intent on the part of any MEA official. In view of that, the Ministry could not find any of its officials who may be responsible for the lapse.

(Ministry of External Affairs OM.No. BI-732/02/2022 dated 13/06/2024)

Vetting comments of Audit

No further comments

This has been vetted by Audit vide No. R.R./15-10/2023-24/62 dt. 22.05.2024

Observation/Recommendation

The agreement for establishment of South Asian University envisaged that the Taxation of the citizens of the Founding states employed by the University shall be regulated in accordance with the national legislation of the respective states. Accordingly, the Registrar, being an Indian citizen, should have been subject to taxation in accordance with the rules of the home country. The Committee also understand that the Headquarters' Agreement between the South Asian University (SAU) and Government of India requires that the University shall cooperate with the appropriate authorities of the host Government to prevent the occurrence of any abuse in connection with the privileges mentioned in the agreement. Consequent to appointment of the first Registrar by the South Asian University in 2011, the Committee note that the individual appointed to the post approached the MEA's Protocol Division for a diplomatic identity card and tax exemption certificate which was denied. Further, the Committee find that the MEA informed the University of the anomaly and advised them to not to grant tax exemption to the Registrar and reiterated the same in 2012. However, notwithstanding MEA's clear advice in 2011 and 2012, the University kept issuing tax exempt certificates to the "Registrar" between 2011-20. According to the submission made by the Ministry, it had proceeded with the assumption that as a responsible international organization, the University would comply with the formal advice given to it by the host country (i.e. India). The Committee are surprised by that the South Asian University overlooked the advice of the Ministry of External Affairs and granted tax exemption certificate to the Registrar. This disregard led to a substantial loss of revenue to the Government of India amounting to Rs.90.06 lakhs from July 2011 to December, 2017. The Committee are of the considered view that the Ministry of External Affairs instead of merely assuming compliance should have followed up the matter appropriately. The Committee further opine that there should be constant consultation and coordination between international organizations and the host Government to

ensure effective management of situations involving international agreements and regulations thereby fostering a harmonious and mutually beneficial relationship for both sides.

[Observations/Recommendation No. 4 of 80th Report of the Public Accounts Committee (17th Lok Sabha)]

Action Taken

The Ministry recognizes the need to have constant consultation and coordination with the South Asian University on various aspects of the functioning of the University in general and those involving the international agreements and regulations, in particular. Accordingly, the Ministry remains in touch with the South Asian University directly and through the Governing Board so that a harmonious and mutually beneficial relationship could be fostered.

(Ministry of External Affairs OM.No. BI-732/02/2022 dated 13/06/2024)

Vetting comments of Audit

No further comments

This has been vetted by Audit vide No. R.R./15-10/2023-24/62 dt. 22.05.2024

Observation/Recommendation

The Committee observe that the Governing Board of the South Asian University resolved that the President of the University should approach the SAARC SG to seek an amendment of the HQ Agreement for extending the privilege to the Registrar of the University in 2012, subsequent to which SAARC Secretariat sought the view of the Member States but no follow up action was taken by the Ministry. While considering the complexities of international relations and the University's reputation, it is essential that

matters of this nature are approached with appropriate seriousness and sensitivity, particularly by the Ministry of External Affairs. The Committee acknowledge the right of the University to seek extension of privileges but nevertheless the University should have, in the interim suspended the issuance of tax exemption certificates and pursued the matter further through the Governing Body (GB) and SAARC Secretary General. The Committee, also note that the representatives of Government of India chose to remain silent when the GB in its third meeting resolved to recommend amendments in HQ agreement to include the Registrar for being given the benefits also when SAARC Secretariat sought comments on the issue. The Committee, in this regard, would emphasize on the aspect of shared responsibility of both the University and the Ministry, and urge for more effective coordination and proactive measures to prevent such irregularities in the future.

[Observations/Recommendation No. 5 of 80th Report of the Public Accounts Committee (17th Lok Sabha)]

Action Taken

Recognizing its shared responsibility along with the University to prevent such irregularities in future, the Ministry instituted regular coordination meetings with the University for necessary effective coordination and preventive measures.

(Ministry of External Affairs OM.No. BI-732/02/2022 dated 13/06/202)

Vetting comments of Audit

No further comments

This has been vetted by Audit vide No. R.R./15-10/2023-24/62 dt. 22.05.2024

The Committee observe that as per the Article VI (5) of the Headquarters' Agreement, the persons enjoying the privileges and immunities enshrined in the Agreement shall be provided a special identity card by the protocol division of MEA which shall identify the holder in relation to appropriate authorities and certify that the holder enjoys the privileges and immunities in the agreement. The Committee feel that in case of non-issuance of any such special Identity Card, the tax exemption certificates issued by the SAU, should have been considered void. The Committee note that there has been lack of vigilant scrutiny by the Income Tax Department in verifying the eligibility of individuals for tax exemptions and acceptance of such tax certificates without consultation with MEA. The Committee also find that the Ministry of External Affairs lagged in providing timely information to the Income Tax Department despite being aware of the status of the wrongly extended tax exemption. The Committee emphasize the need for more vigilant and thorough approach in scrutinizing tax exemption certificate applications, more so in case of international organizations. Consequent to issuance of the amended notification in 2021 by MEA removing the post of Registrar from enjoying the wrongly extended privileges and immunities, the Committee would like to be apprised of the status of the recovery carried out by the Income Tax Department in this case.

[Observations/Recommendation No. 6 of 80th Report of the Public Accounts Committee (17th Lok Sabha)]

Action taken

Ministry has taken up this matter with the Income Tax Department emphasizing the need for more vigilant and thorough approach in scrutinizing tax exemption certificate applications in case of international organizations. As regards the status of the recovery carried out by the Income Tax Department in this particular case, former Registrar has filed a Writ Petition on 30 April 2022 in the Delhi High Court against the Ministry's amended notification of 13 May 2021. The Ministry has submitted its

counter affidavit on 15 October 2022. The matter was last listed on 4 March 2024 and has been fixed for completion of pleadings in next hearing on 21 May 2024.

Vetting comments of Audit

Ministry may apprise about the latest status to PAC.

Updated Action Taken

As regards the status of the recovery carried out by the Income Tax Department in this particular case, former Registrar has filed a Writ Petition on 30 April 2022 in the Delhi High Court against the Ministry's amended notification of 13 May 2021. The Ministry has submitted its counter affidavit on 15 October 2022. The matter was last listed on 21st May 2024 wherein the Learned Counsel for the petitioner has taken adjournment for filing rejoinder in the matter in response to the counter affidavits and now has been fixed for completion of pleadings in next hearing on 5th September 2024.

(Ministry of External Affairs OM.No. BI-732/02/2022 dated 13/06/2024)

This has been vetted by Audit vide No. R.R./15-10/2023-24/62 dt. 22.05.2024

Observation/Recommendation

The Committee find that the though there is a system of Internal Audit being conducted via independent auditor in the South Asian University, the University issued tax exemption certificates regularly while being aware of the ineligibility of the Registrar to receive such exemption from 2011-2020

i.e. even after audit made its observations. The Committee observe that a prudent attitude of the South Asian University towards the advice from MEA regarding the issuance of tax exemption certificates could have prevented substantial revenue loss to Government of India. The Committee strongly advise the Ministry of External Affairs (MEA) to liaise with SAU authorities and India's representatives in their Board of Governors to pursue for strengthening of the existent Internal Audit Mechanism by extending its scope to cover critical financial and operational areas that affect the interests of the Host country. The Committee desire to be kept informed about the concrete actions taken by the Ministry and SAU in response to this recommendation.

[Observations/Recommendation No. 7 of 80th Report of the Public Accounts Committee (17th Lok Sabha)]

Action taken

The Ministry has emphasized on the University the need for strengthening its mechanism to check for irregularities in its functioning. The matter of undue Income Tax exemption by the former Registrar of South Asian University was investigated by the University. A Fact Finding Committee was constituted in January 2021 which submitted its report in March 2021. Based on the Committee report, the University stopped giving tax exemption certificates to former Registrar from the financial year 2020-21 onwards. The University found the responsibility of former Registrar Dr. A.K. Malik (Retd. In July 2021), Mr. Wasim Ahmed (Official from Pakistan moved back to Pakistan in February 2018), Mr. KAD Pushpakeerthi (official from Sri Lanka moved back to Sri Lanka in March 2019) and Mr. Keshav Datt (under suspension since 04 August 2023). As all the responsible officials had left University thus SAU could not take any action on the responsible officials.

The Ministry through the Governing Board has taken up the need to strengthen the existing internal audit mechanism of the University. Accordingly, the recent Governing Board meeting of SAU held on 18-19 December 2023 in Kathmandu decided that a due process shall be initiated to engage an internationally reputed auditing firm for carrying out the audit of the University.

(Ministry of External Affairs OM.No. BI-732/02/2022 dated 13/06/2024)

Vetting comments of Audit

No further comments

This has been vetted by Audit vide No. R.R./15-10/2023-24/62 dt. 22.05.2024

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

NIL

CHAPTER IV

**OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH
REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY
THE COMMITTEE AND WHICH REQUIRE REITERATION**

NIL

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES/NO REPLIES

NIL

NEW DELHI:
03 December, 2024
12 Agrahayana, 1946 (*Saka*)

K. C. VENUGOPAL
Chairperson,
Public Accounts Committee

MINUTES OF THE EIGHTH SITTING OF THE COMMITTEE ON PUBLIC ACCOUNTS (2024-25) HELD ON 03rd DECEMBER 2024

The Committee on Public Accounts sat on Tuesday, the 3rd of December 2024, from 1600 hrs to 1745 hrs in Committee Room '3', Block A, First Floor, Extension to Parliament House Annexe, New Delhi.

PRESENT

Shri K.C. Venugopal - Chairperson

Members

LOK SABHA

2. Dr. Nishikant Dubey
3. Shri Jagdambika Pal
4. Shri Jai Parkash
5. Shri Ravi Shankar Prasad
6. Shri C. M. Ramesh
7. Shri Magunta Sreenivasulu Reddy
8. Smt. Aparajita Sarangi
9. Dr. Amar Singh
10. Shri Tejasvi Surya
11. Shri Anurag Singh Thakur
12. Shri Balashowry Vallabhaneni
13. Shri Dharmendra Yadav

RAJYA SABHA

14. Shri Shaktisinh Gohil
15. Dr. K. Laxman
16. Shri Praful Patel
17. Shri Sukhendu Sekhar Ray
18. Shri Tiruchi Siva
19. Shri Sudhanshu Trivedi

LOK SABHA SECRETARIAT

1. Dr. Sanjeev Sharma - Joint Secretary
2. Shri Muraleedharan. P - Director
3. Shri Alok Mani Tripathi - Deputy Secretary
4. Shri Pankaj Sharma - Deputy Secretary
5. Shri Atul Bhave - Deputy Secretary

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Sh. Rebecca Mathai - Dy. CAG
2. Ms. Atreyee Das - Dy. CAG
3. Ms. Smita S. Chaudhari - Dy. CAG
4. Sh. Samar Kant Thakur - Director General

REPRESENTATIVES OF THE MINISTRY OF XXXXXX

1. XXXXXXXXXXXXX
2. XXXXXXXXXXXXX
3. XXXXXXXXXXXXX
4. XXXXXXXXXXXXX
5. XXXXXXXXXXXXX
6. XXXXXXXXXXXXX
7. XXXXXXXXXXXXX
8. XXXXXXXXXXXXX
9. XXXXXXXXXXXXX

PART A

XXXXX XXXXX XXXXX XXXXX XXXXX XXXXX

PART B

Thereafter, Hon'ble Chairperson stated that the following six draft reports may be taken up for consideration and adoption :-

- a) XXXXX XXXXX XXXXX;
- b) Action Taken by the Government on the Observations/ Recommendations of the Public Accounts Committee contained in their 80th Report (Seventeenth Lok Sabha) on "Loss of Revenue due to irregular tax exemption - South Asian University";
- c) XXXXX XXXXX XXXXX;
- d) XXXXX XXXXX XXXXX;
- e) XXXXX XXXXX XXXXX; and
- f) XXXXX XXXXX XXXXX.

After some deliberations, the Committee adopted the aforesaid Draft Reports without any modifications and authorised the Chairperson to finalise the Reports in the light of factual verification done by the Audit.

The Committee then adjourned.

A copy of the transcript of audio recording of the proceedings of the sitting has been kept on record.

APPENDIX-II

(Vide Paragraph 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR EIGHTIETH REPORT (SEVENTEENTH LOK SABHA)

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| (i) Total number of Observations/Recommendations | of 7 |
| (ii) Observations/Recommendations of the Committee which have been accepted by the Government:
Para Nos. 1, 2, 3, 4, 5, 6 and 7 | Total: 7
Percentage: 100 |
| (iii) Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:
Para No. – NIL | Total: 0
Percentage: 0 |
| (iv) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:
Para No. – NIL | Total: 0
Percentage: 0 |
| (v) Observations/Recommendations in respect of which the Government have furnished interim replies:
Para No. – 6 | Total: 0
Percentage: 0 |