CHAPTER III : Ministry of Commerce

Tea Baorad

3.1 Wasteful expenditure on India Tea Logo awareness campaign in Poland

Tea Board's media campaign in Poland launched without adequate planning rendered the expenditure of Rs 33.95 lakh infructuous besides proving counter productive.

An India Logo campaign was proposed to be launched during the pre-winter season in Poland

Export Promotion Committee of Tea Board of India approved in June 1997 an Indian Tea campaign in Poland to be launched in two phases with an estimated expenditure of Rs 15 lakh for the first phase and Rs 20 lakh for the second phase. Tea Board Hamburg recommended that a logo specific campaign should be launched to communicate that only pure Indian tea could carry the India Tea Logo and therefore represented the best tea the consumer could buy. Further to have a positive impact, it was also recommended that instead of splitting the campaign in two phases the programme should have a composite budget covering the first and second phases. The campaign was to be launched in September/October 1997 as tea consumption declined in summer. The consultant engaged for the campaign submitted an action plan in July 1997 which included insertion of advertisements in women's magazines during September/October 1997.

The Tea Board approved the logo specific campaign proposals in November 1997 for launching the campaign in two phases in 1997-98 and 1998-99, with the estimated budget of Rs 15 lakh and Rs 20 lakh respectively. Due to delay in granting approval the media plan could not be carried out during September/October 1997 as the Consultant expressed his inability in November 1997, to book the media space as presented in their plan on account of insufficient time.

Campaign launched without adequate availability of pure Indian tea with Indian Logo

Scrutiny of records in the office of the Director of Tea Promotion, Hamburg indicated that the selection of the consultant was not done after inviting offers from different agencies to ensure that Tea Board got the best value for their money.

The advantage envisaged in launching the campaign during pre-winter season was lost as the campaign was actually launched in the summer season when the tea consumption was low as compared to winter. It was also noticed from the report of the Tea Board, Hamburg (February 1999), almost a year after the Logo campaign was launched, that Indian Logo was hardly used on any tea packets and with the heightened awareness generated by the media campaign the Polish consumer was disappointed to find no packets with these logos on the shelves. Further having been informed by the campaign that only packets carrying Indian Logo was genuine Indian tea, the Polish consumer was suspicious of even genuine Indian tea with major portion in a blend, but with no logo, as it was not a 100 *per cent* Indian blend. It is therefore, evident that the campaign to promote India Tea Logo without first ensuring adequate availability of pure Indian tea with Indian Logo was ill conceived, rendering the entire campaign counter-productive and the total expenditure of Rs 33.95 lakh infructuous.

Payments released to the consultant without any proof of payment

Though the payments made to the consultant represented charges payable to the media the entire payment was released to the consultant on the basis of his invoice without verifying the actual charges paid by the consultant to the media. Verification of the media invoices was necessary because the consultant was charging 15 *per cent* agency commission on the invoice value.

On this being pointed out by Audit in June 1999 Tea Board stated that the Consultant had been hired by them for earlier campaigns in 1993-94 on the basis of selection made in 1992 and had considerable experience in handling India tea products and the rates charged would have been the same with all advertisement agencies. It was also stated that due to procedural problems beyond the control of the office the campaign could not be carried out as planned during the pre-winter season. The agency could keep the commission from publications only if the agency paid the publication their dues and since no publication reported any default by the agency, Tea Board did not see any valid reason for insisting on proof of payment (August 1999).

The reply is not tenable as their earlier experience with the consultant way back in 1994 was not sufficient grounds for assessing the competetiveness of the rates quoted by the agency in a contract worth Rs 41 lakh in the year 1997-98. Further, it is not clear as to how the consultant was allowed to retain the commission allowed by the publications when they were charging 15 *per cent* agency commission on the invoices raised by them resulting in undue favour to the consultant. Further, proof of payment was required to monitor the actual amount paid by the agency to the publications for the media space hired by them. Notwithstanding the above, the fact remained that by launching the campaign in summer and without initially ensuring the availability of Indian tea with Indian Logo in the Polish market, the entire expenditure of Rs 33.95 lakh was rendered infructuous besides the campaign itself proving counter-productive.

The matter was referred to the Ministry in August 1999; their reply was awaited as of February 2000.

3.2 Deficient cash management and loss of interest

Loss of interest of Rs 25.95 lakh due to retention of cash in current account much in excess of requirement.

According to the provisions of the Financial and Accounting Procedure of the Tea Board of India, the headquarters office was to remit funds bi-monthly to the overseas accounts of the Director of Tea Production (DTP) according to their requirement and the balances in these accounts were to be kept as low as possible. Further, in terms of the Standing Instructions issued in December 1995 by Ministry of External Affairs (MEA), the closing balance of cash held by a Mission/Post abroad during any month should not exceed its six weeks' requirements. On the same analogy the reasonable balance of cash to be retained by DTP would be their six-week's requirements.

Director, Tea Production, London retained cash in current account much in excess of requirement

Scrutiny of records of the DTP London, Tea Board of India revealed that between December 1993 and May 1998 the cash balances in the current account varied between £ 53511 and £ 249726 as against six week's requirements ranging from £ 9339 to £ 87753. The above balances had accumulated even after investing £ 25000 in short term roll over deposit in February 1994. Although the cash balances substantially exceeded the requirement of fund, the DTP invested only £ 25000 in short-term roll over fixed deposit of one/three month(s) maturity. No further action was initiated to invest the surplus fund in fixed deposits.

Retention of excess cash led to loss of interest of Rs 25.95 lakh

Retention of excess cash in current account between December 1993 and May 1998 resulted in loss of interest of £ 36892 equivalent to Rs 25.95 lakh.

The matter was referred to Ministry of Commerce (MOC) in April 1999 who stated in August 1999 that they had decided to release funds to Tea Board on a quarterly basis from April 1999 as against the bi-annual remittances hitherto being made. It also stated that since Tea Board was an autonomous body under its administrative control, the rules regarding six weeks holding of cash was not applicable to them and the duties and responsibilities of DTP in carrying out media campaigns participation in fairs etc were such that any shortage of funds would greatly hamper the activities.

The reply of MOC is not acceptable because in the absence of clear instructions on cash management the instructions applicable to all Missions abroad were applicable. Further, keeping the excess cash in short term deposits would, besides ensuring interest on cash otherwise lying idle, also ensure its liquidity. Therefore, the contention of MOC that shortage of funds would hamper the activities of DTP was not justified.