

CHAPTER XVIII : MINISTRY OF TOURISM

18.1 Irregularities in procurement of goods and services

India Tourism Office, Beijing, procured goods and services to the tune of ₹ 7.17 crore in violation of General Financial Rules.

The Ministry of Tourism has five overseas Regional India Tourism Offices¹, and nine sub-regional offices². The main functions of an overseas Government of India Tourism Office (GOITO) are to carry out overseas marketing, position India as a preferred tourism destination in tourism generating markets, promote various Indian tourism products and to increase India's share in the global tourism market.

Audit scrutiny of records of GOITO, Beijing for the period 2009-12 revealed (June 2013) non-adherence to the provisions of General Financial Rules, 2005 (GFR) by GOITO, Beijing in procuring goods and services during the period. Rule 137 of General Financial Rules, 2005 (GFR) specifies fundamental principles of public buying, according to which offers should be invited following a fair, transparent and reasonable procedure. Rule 160 of GFR stipulates that all Government purchases should be made in a transparent, competitive and fair manner to secure best value for money. Further, Rule 168 states that where the estimated cost of the work or service is up to Rupees twenty five lakh, preparation of a long list of potential consultants may be done on the basis of formal or informal enquiries from other Ministries or Departments or Organisations involved in similar activities, Chamber of Commerce & Industry, Association of consultancy firms etc. Further, where the estimated cost of the work or service is above Rupees twenty five lakh, an enquiry seeking 'Expression of interest' from consultants should be published in at least one national daily and the Ministry's web site.

¹ Dubai, Frankfurt, New York, Sydney and Tokyo

² Amsterdam, Beijing, Johannesburg, London, Los Angeles, Milan, Paris, Singapore and Toronto

Audit observed that:

- (i) GOITO, Beijing procured during 2009 to 2012 various products and services for publicity, seminars, exhibitions, fairs and for other tourism related promotional activities in Beijing and other major cities in China, without complying with the aforesaid provisions of GFR. Out of total 155 work orders valuing RMB 1,06,86,297 (₹ 7,46,97,216³) issued during 2009-12 for procurement of various products and services, GOITO, Beijing awarded 153 works valuing RMB 1,02,62,752 (₹ 7,17,36,636³) i.e. approx. 96 *per cent* of the value of total 155 works, to one company viz. M/s DPS Consulting Company Limited. In most of these cases, quotations were received from three companies, one of which was invariably M/s DPS Consulting Limited. Again, in most of these cases, the other two companies were M/s Beijing Jingguan Ad. Co. Limited and Yumo Advertising Co. Limited. Quotations received from M/s Beijing Jingguan Ad. Co. Limited and Yumo Advertising Co. Limited were on plain papers and did not contain even basic details like their addresses, telephone numbers or e-mail addresses.
- (ii) GOITO Beijing split the work orders frequently to keep the value of work awarded within the powers of the Director, GOITO, Beijing.
- (iii) In the procurements made during the period up to April 2012, an amount of RMB 10,71,586 (₹ 74,90,386) was paid as service fees whereas from April 2012 onwards none of the new vendors claimed a markup of 15 *per cent* as service fee.

GOITO Beijing replied (January 2014) that the observations had been noted and due care was being taken for future compliance. It further stated that presently GOITO Beijing accepts quotations only on letterheads with complete contact details.

³ While the period of Audit covered was from January 2009 to March 2012 (39 months), the conversion rate has been assumed as the official exchange rate for August 2010, the 19th month i.e. RMB 1 = ₹ 6.99.

The Ministry in its reply (March 2014) agreed with the audit observations and stated that they have issued Standard Operating Procedures to all overseas tourism offices incorporating the action to be taken by them as per relevant rules. Further, a check list has been forwarded by the Financial Controller (Tourism) to avoid common irregularities/shortcomings noticed during post check of vouchers pertaining to overseas offices. The Ministry further stated that it had contemplated disciplinary action against the concerned officers in the instant case.

18.2 Award of work to non-existent firms

Failure to follow transparent, competitive and fair procurement process by the Government of India Tourism Office London resulted in award of contracts and consequent payments of ₹ 97.44 lakh⁴ to non-existent firms.

General Financial Rules, 2005 (GFR) stipulate that invitation to tenders by advertisement (open tender) should be used for procurement of goods or services, the cost of which has an estimated value of ₹ 25 lakh or above. Advertisement should be published at least in one national daily and the website of the organisation.

Audit scrutiny of records of Government of India Tourist Office (GOITO), London for the period 2010-11 revealed (June 2011) that in following two cases GOITO, London did not invite open tenders though the value of work was more than ₹ 25 lakh and awarded the work and released payments to the firms, whereabouts of which were not verifiable:

(a) Construction of India Tourism stands in 18 travel fairs and exhibitions held during 2010-11 in UK and Ireland

No estimates were prepared by GOITO, London for the above work, although the value of work was more than ₹ 25 lakh. Instead of inviting open tenders as per provisions of GFR, GOITO, London obtained quotations from three agencies viz. M/s RAR Occasions (RAR) (01 May 2010), M/s Orange Events (16 April 2010) and M/s Absolute Events (22 April 2010).

⁴ ₹ 59.40 lakh plus ₹ 38.04 lakh

Audit observed that proposal to award the contract to M/s RAR Occasions was approved by GOITO, London on 29 April 2010 i.e., even before receiving the bid from M/s RAR, which was received subsequently on 01 May 2010. While intimating (May 2010) M/s RAR about their selection for the above work, GOITO, London asked them to commence the work without executing any formal agreement. The GOITO, London paid an amount of £ 82276.34 (equivalent to ₹ 59.40 lakh) including an amount of £ 12960 towards VAT to M/s RAR during the period from June 2010 to March 2011. GOITO, London being a Government organisation was eligible for VAT refund. It could not claim the VAT refund as the invoices raised by M/s RAR did not mention VAT registration number. The letter issued (April 2011) by GOITO, London to M/s RAR for seeking their VAT registration number was also received back undelivered. The accountants of M/s Orange Events (one of the three bidders in the case), informed GOITO, London that M/s RAR Occasions was a trade name for M/s Orange Events.

Thus, GOITO, London awarded the work without adhering to the provisions of GFR and paid an amount of £ 82276.34 (₹ 59.40 lakh⁵) during June 2010 to March 2011 to M/s RAR Occasions which was a fictitious entity i.e. only a trade name for M/s Orange Events Ltd.

(b) Organising corporate dinner for 550 guests for the 'India Evening' during World Travel Market (WTM) in November 2010

GOITO, London again contravened the provisions of GFR and obtained (September 2010) quotations for organizing corporate dinner from three agencies viz M/s Curry Special, M/s Madhu's Ltd and M/s S L Events & Catering (M/s SLEC). The offer of M/s SLEC was found to be the lowest. Later on, it was decided (October 2010) to serve only snacks instead of corporate dinner during the event. Instead of calling for fresh tenders, GOITO, London asked the lowest bidder M/s SLEC

⁵ As per the exchange rate prevalent during June 2010 to March 2011

to offer their quote for snacks only. M/s SLEC gave (October 2010) a quotation for £ 52000 (equivalent to ₹ 38.04 lakh)⁶ for snacks only.

Audit observed that no telephone number or email address was mentioned on the quotes furnished by M/s Curry Special and M/s SLEC. The GOITO London, however, did not ask the bidders to intimate their contact numbers. Further, the GOITO, London paid the entire amount of £ 52000 to M/s SLEC (£ 25,000 on 29 September 2010 and £ 27,000 on 09 October 2010) without receiving revised quotes from M/s SLEC (which were later on submitted by the bidder on 15 October 2010) and even before organising the 'India Evening' on 10 November 2010. Audit did not find any supply order made or agreement executed by GOITO, London with M/s SELC. The invitation card for 'India Evening' had the name of M/s RAR Occasions as *RSVP*⁷ and the telephone number of M/s Orange Events making it evident that M/s SLEC was an entity of doubtful existence.

On being pointed out by Audit in July 2011, the Ministry of Tourism (Ministry) replied (April 2013) that disciplinary action had been initiated against the then Director of GOITO, London.

Audit is of the view that awarding contracts by GOITO, London without adhering to the provisions of GFR to the firms' existence which was not verifiable through records indicated poor monitoring on the part of the Ministry of Tourism. Further, possibility of misappropriation of funds by GOITO, London, in the above cases can not be ruled out.

Thus, failure to follow transparent, competitive and fair procurement process by GOITO, London resulted in award of contracts and consequent payments of ₹ 97.44 lakh⁸ to non-existent firms.

⁶ £ 25000 equivalent to ₹ 18.48 lakh (at the exchange rate of 1 £ = ₹ 73.91 prevalent during September 2010) was paid on 29 September 2010 and £ 27000 equivalent to ₹ 19.56 lakh (at the exchange rate of 1£ = ₹ 72.46 prevalent during October 2010) was paid on 9 October 2010.

⁷ Request for responses (French: *répondez s'il vous plaît*)

⁸ ₹ 59.40 lakh plus ₹ 38.04 lakh