

## CHAPTER V: MINISTRY OF EXTERNAL AFFAIRS

### 5.1 Maintenance of bank account outside Government Accounts

**Embassy of India, Buenos Aires, Argentina operated bank account and carried out transactions of Argentine Peso 41,17,118 (₹ 5.10 crore) without routing these through books of accounts of the Government.**

Under Rule 7 of General Financial Rules (GFR), 2005 all moneys received by or on behalf of the Government are to be brought into Government Account without delay. Further, as per Rule 13 of Central Government Account (Receipts and Payments) Rules 1983, all monetary transactions should be entered in the cash book as soon as they occur and attested by the Head of the Office in token of check. No withdrawal of money may be made from the Government Account except by presentation of bill in support of relevant claim for the purpose (Rule 28).

A scrutiny of records (February 2013) of the Embassy of India, Buenos Aires, Argentina revealed that apart from its regular three bank accounts (US\$ accounts with SBI, New York and HSBC, Buenos Aires, and Argentine Peso account with HSBC, Buenos Aires), the Mission also operated another Peso account (Bank Account) at HSBC Buenos Aires from October 2008 to May 2012. Audit observed that this bank account was opened on 31 October 2008 with an initial deposit of Peso 66,880.62 (₹ 9.99 lakh) and was subsequently closed on 23 May 2012 after three years and seven months with a withdrawal of the balance amount of Peso 70.21.

Audit further noticed from the bank statement that a total of Peso 41,17,118 (₹ 5.10 crore)<sup>1</sup> was deposited in this account and was taken out through 799 withdrawals. There were 63 cash withdrawals totaling Peso 11,11,750 (₹ 1.42 crore) out of which 17 were of amounts more than Peso 20,000 (₹ 2.48 lakh). Further, there were as many as 171

<sup>1</sup> By 53 cheques (Peso 39,60,208.23), by cash on five occasions (Peso 74,450.00), by inter banking transfer on one occasion (Peso 80,580.00) and refunds/adjustments on four occasions (Peso 1,880.17).

negative closing balances ranging from Peso (-) 46.94 to (-) 24,026.45. The purpose and utilization of these withdrawals were not available on records.

There was no documentary evidence to indicate the purpose of opening of this bank account. The deposits and withdrawals made from this bank account were not routed through the cash book of the Mission. The Mission could not produce to Audit any bills/vouchers corresponding to the transactions made through the bank account. The transactions as reflected in the bank account did not have any bearing on the monthly expenditure statements pertaining to the period between October 2008 and May 2012 submitted by the Mission to the Ministry. Thus, it is clear from the above that the funds deposited and withdrawn from the Bank Account maintained with HSBC, Buenos Aires were operated outside the government accounts.

In response, the Embassy of India, Argentina stated (July 2013) that there were no records available in the Mission pertaining to details of the bank account and the officers involved had either been transferred or retired from service. The Mission confirmed that the purpose for which the bank account was operated was not found recorded in any document and the transactions relating to the bank account were not included in the monthly accounts sent to the Ministry.

Thus, maintenance of bank account and carrying out transactions outside the government accounts by Embassy of India, Argentina is in violation of the extant rules. As the transactions recorded in the bank account were not routed through the cash book, the possibility of misappropriation or loss of public funds could not be ruled out. The matter was brought to the notice of the Ministry of External Affairs (MEA) for investigation.

The Ministry replied (May 2014) that a high level team of officers of MEA visited Buenos Aires in January 2014 and their report was still under finalisation.

## 5.2 Violation of rules in procurement of goods

**Consulate General of India, Atlanta procured computer hardware/software, office equipment and furniture/fittings worth ₹ 1.61 crore in three separate purchases in violation of Rules and without following fair, transparent and reasonable procedure.**

According to Rule 137 of General Financial Rules (GFR) 2005, offers for public procurement should be invited following a fair, transparent and reasonable procedure. The procedure followed should promote competition and fair and equitable treatment of suppliers. To achieve this objective, a laid down standard method of obtaining bids shall be followed by Ministries/Departments for purchase of goods for use in public service (Rule 149). Under Rule 150 of GFR, bids are to be obtained through Advertised Tender Enquiry (ATE) for procurement of goods of estimated value of ₹ 25 lakh and above. Whereas for procurement of goods with estimated value up to ₹ 25 lakh, Rule 151 (i) provided that Limited Tender Enquiry (LTE) may be used for procurement of goods under specified conditions such as: (i) web based publicity should be given for limited tenders; (ii) the number of supplier should be more than three; and (iii) efforts should be made to identify a higher number of approved suppliers to obtain more responsive bids on competitive basis. In addition, Chief Vigilance Commission's (CVC) guidelines (15 January 2002) provide that in order to ensure evaluation of bids on equitable and fair basis and in a transparent manner, the time/date for receipt and opening of tenders is to be incorporated in the bidding documents.

Further, under Rule 151 (ii), LTE method may also be adopted even where the estimated value of the procurement is more than ₹ 25 lakh. In such cases, the competent authority is to certify that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. The competent authority shall also record the nature of the urgency and the reasons why the procurement could not be anticipated.

A scrutiny of records (April 2013) of the Consulate General of India (CGI), Atlanta revealed that the Post made procurement of goods during August 2012 and September 2012 amounting to a total of ₹ 1.61

crore in three separate purchase orders for use in its new Chancery building which was scheduled to be inaugurated in October 2012. The procurement of the goods was carried out on the basis of sanction of funds given by the Ministry on 6 July 2012.

Audit observed that CGI, Atlanta obtained quotations on Limited Tender Enquiry basis from four firms<sup>2</sup> for procurement of IT infrastructure (computer hardware, software, networking, internet, access control system, CCTV) without going in for ATE though the estimated value of procurement was more than ₹ 25 lakh. The Post awarded the supply orders for IT Infrastructure (August 2012) to M/s Compunet Services Inc at the cost of ₹ 48.55 lakh (US\$ 87,940).

Secondly, for supply of furniture and fittings which was estimated to cost more than ₹ 25 lakh, the Post resorted to LTE method and obtained quotations from only three firms<sup>3</sup> while the number of supplier firms for such purchases were to be more than three firms as per the Rules. The work was awarded to M/s Atlanta Office Furniture (August 2012) at the cost of ₹ 79.15 lakh (US\$ 1,43,357).

Thirdly, for procurement of office equipment (copiers, shredders, metal detectors, water coolers, ovens, computer software, UPS), CGI, Atlanta decided (September 2012) to call for limited tenders from the above mentioned four firms which had bid for the initial works for IT infrastructure on the plea that the work was expected to be within ₹ 25 lakh. But total payment made to M/s Compunet Services Inc was ₹ 33.59 lakh (US\$ 60,075) as additions were made after the work had been awarded.

Audit also observed that no standard procedure as laid down in the Rules was followed by the Post for obtaining and evaluating bids. There was no documentary evidence to indicate that bidding documents with cut-off dates were sent directly to the firms. The quotations were obtained and opened on different dates<sup>4</sup> diluting the

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<sup>2</sup> M/s Outsource Management Inc; M/s CTCSS Systems LLC; M/s Compunet Services Inc; M/s Ignite.

<sup>3</sup> M/s Office Interiors; M/s Sheffield Office Products; M/s Atlanta Office Furniture.

<sup>4</sup> IT infrastructure: M/s Outsource Management Inc (14 August 2012); M/s CTCSS Systems LLC (14 August 2012); M/s Compunet Services Inc (15 August 2012); M/s Ignite (16 August 2012). Office furniture and fittings: M/s Office Interiors (30 August 2012); M/s Sheffield Office Products (4 September 2012); M/s Atlanta Office Furniture (12 September 2012). Office Equipments: M/s Outsource Management Inc (24 September 2012); M/s CTCSS Systems LLC (28 September 2012); M/s Ignite (28 September 2012), M/s Compunet Services Inc (1 October 2012).

sanctity of the prices quoted by each firm. In fact, M/s Compunet Inc and M/s Atlanta Office Furniture were selected being the lowest offers, but when their bids were received the quotations of other firms had been already opened by the Post. Further, Audit noticed that the date of finalisation of award or purchase orders preceded the dates mentioned in the quotations. The purchase order for furniture and fittings was finalized on 24 August 2012, but the quotations obtained for the purpose had mentioned dates between 30 August 2012 and 12 September 2012. Work for supply of office equipment was finalized on 26 September 2012, whereas the quotations obtained from three firms indicated dates between 28 September 2012 and 1 October 2012. This indicates that the bids were obtained after the decision for award of work was already finalized by the Post.

It is evident from the above that though sufficient time of two months was available since the receipt of sanction of funds from the Ministry in July 2012 to complete the procurement of goods by way of Advertised Tender Enquiry, the Post went in for Limited Tender Enquiry in each of the above purchase. While obtaining bids even under Limited Tender Enquiry, CGI, Atlanta made no efforts to identify a higher number of eligible suppliers to obtain more competitive bids nor was web based publicity given for limited tenders for fair and equitable treatment of eligible firms available in the market as required under the extant rule.

In reply, the Post stated (October 2013) that the open tender procedure was not followed for procurement of IT infrastructure, and furniture/ fittings due to national security considerations and paucity of time. The decision on security credentials of the firms was guided by experience of prominent members of Indo-American community and local Government.

The response of the Post was not convincing since sufficient time was available for them to go in for ATE from the time financial sanction was accorded by Ministry in July 2012. The time of three weeks given in the rule for submission of bids by firms was adequate for finalization of the procurement keeping in view the inauguration of the Chancery building in October 2012. There was no documentary evidence to indicate any correspondence between the Post and the local Government or the

prominent members of the Indian community in regard to what the CGI, Atlanta called a 'national security consideration'. Moreover, the reason of national security considerations given to justify adoption of LTE was recorded for the first time only at the time of finalizing work/purchase orders in respect of IT infrastructure on 22 August 2012 and office furniture and fittings on 24 August 2012. No evidence was found on record to suggest that CGI, Atlanta ever addressed the issue of security concerns to the Ministry prior to the date of obtaining bids or at the time of the receipt of sanction of funds. Thus, the reasons given by the Post appear as an afterthought and did not constitute a sufficient ground for adopting LTE.

In response to the above Audit contention, the CGI, Atlanta (March 2014) admitted that there were procedural lapses in opening of bids which were caused due to ignorance of procurement procedure and inadvertent overlooking of mistakes committed by the firms while submitting bids.

The matter was referred to the Ministry in November 2013; their reply was awaited as of May 2014. The Ministry needs to ensure that the personnel entrusted with financial responsibilities in Missions and Posts are imparted adequate training and exposure to rules and procedures.

### **5.3 Fictitious payment vouchers/receipt challans in Monthly Accounts**

**The Consulate General of India, Houston, USA prepared fictitious payment vouchers of US\$ 3,72,632 and receipt challans of US\$ 3,62,172 and accounted these in its monthly accounts submitted to the Ministry. There were withdrawals of US\$ 69,356 and deposits of US\$ 39,266 without routing through the cash book. The accounts of the Consulate suffered from serious inaccuracies which was fraught with the risk of short accounting of receipts and unaccounted withdrawals.**

According to Rule 13 of Central Government Account (Receipts and Payments) Rules 1983, all monetary transactions should be entered in the cash book as soon as they occur. Entries made in the cash book regarding remittance of receipts to the accredited bank for credit into Government Account should be attested by the Head of Office after



verifying them with reference to the bank's receipt recorded on the pay-in-slips or challans. Further, as per Rules 28 of the Central Government Account (Receipts and Payments) Rules 1983 no withdrawal of money may be made from the Government Accounts except by presentation of bill in support of relevant claim for the purpose.

Audit scrutiny of records of the Consulate General of India (CGI), Houston, USA for the period from March 2012 to February 2013 was conducted in March 2013. Audit also analyzed the accounting data as maintained in the Integrated Mission Accounting System (IMAS) and compared it with monthly cash accounts submitted by the Consulate to the Ministry of External Affairs (MEA). On scrutiny of records pertaining to the audit period, it was noticed that CGI, Houston prepared fictitious payment vouchers (nine) amounting to US\$ 3,72,632 and receipt challans (four) amounting to US\$ 3,62,172 during the period spanning from November 2011 to June 2012 and accounted these in the monthly accounts submitted to the Ministry. The details of the fictitious payment vouchers are as given below:

Sl. No.	Payment Voucher and Month	Amount(US\$)	Particulars as mentioned in Voucher
1.	940P November 2011	29,583.02	Bank charges for September, October and November 2011
2.	1479P March 2012	7,182	Bank charges for financial year 2011-12
3.	1486P March 2012	(-0.64)	Bank charges
4.	1487P March 2012	76,503.65	Bank charges and other adjustment during the financial year 2011-12
5.	1488P March 2012	6,118.15	Reconciliation of amount of salaries paid
6.	1489P March 2012	84,798.03	Reconciliation amount paid
7.	317 P June 2012	6,012	Bank charges debited by Frost Bank on April 2012
8.	248P May 2012	790.10	Bank charges for the month of April 2012
9.	417P June 2012	1,61,646.10	Miscellaneous contingencies
<b>Total</b>		<b>3,72,632.41</b>	

Audit analysis revealed that vouchers at Sl No. 2, 4 and 7 amounting to US\$ 89,698 were artificially created and booked in the monthly accounts by the Consulate in an attempt to cover up the shortfall of cash balances as depicted in its bank accounts vis-à-vis the cash book. The shortfall of cash in bank account indicated that all withdrawals from

the bank accounts were not being routed through the cash book. Audit noticed that two such withdrawals of US\$ 24,841 and US\$ 44,515 during July to September 2011 were not routed through the cash book.

In reply, CGI, Houston admitted that creation of artificial vouchers to tally the cash balances of cash book with that of bank statement was not in order.

Further, in respect of five transactions as mentioned at Sl. Nos. 1, 5, 6, 8 and 9 above, payment vouchers amounting to US\$ 2,82,935 were created and included in the monthly accounts. These payment vouchers, however, were not supported by any documentary evidence of bills drawn and paid in support of the relevant claims. Creation of payment vouchers and accounting them as expenditure in the monthly accounts without any supporting bills was in violation of the extant Rules. From the available bank statements, it was not possible to verify in audit as to whether these amounts were actually drawn subsequently from the bank account of the Consulate. Besides, due to huge discrepancies between the bank accounts and the monthly accounts, no meaningful bank reconciliation was carried out by the Consulate. Under these circumstances, the possibility of withdrawal of moneys from the bank accounts through fictitious vouchers without presentation of bills could not be ruled out.

Similarly, four fictitious receipt challans amounting to US\$ 3,62,172 were generated by the Consulate during the period May and June 2012. The details are as given below:

Sl. No.	Receipt challan and Month	Amount(US\$)	Particulars
1.	334R May 2012	76,503.65	Posted as minus figures under the head 'Office Expenses'
2.	335R May 2012	84,798.03	Posted as minus figures under the head 'Foreign Travel Expenses'
3.	540R June 2012	665.00	Under the head 'Other Receipts'
4.	541R June 2012	2,00,205.17	Under the head 'Other Receipts'
Total		3,62,171.85	

Audit scrutiny revealed that receipt challan for an amount of US\$ 76,504 (Sl. No.1) was artificially created and posted in the monthly accounts to reduce expenditure under 'Office Expenses.' Another



receipt challan of US\$ 84,798 (Sl. No. 2) was also generated and depicted in the monthly accounts to reduce expenditure under 'Foreign Travel Expenses.' Reduction in expenditure under the above two heads was done without valid authorization and there were no records to justify such adjustments. The other two receipt challans for US\$ 665 (Sl. No. 3) and US\$ 2,00,205 (Sl. No.4) were created as 'other receipts' and posted in the monthly accounts. The cash balance report of April 2012 submitted in May 2012 to the Ministry was inflated by US\$ 2,00,205 as against the cash balance of the cash book maintained in the Consulate.

Audit further observed that the entries of the receipt challans in the cash book and the monthly accounts were not reflected in the bank statements. Thus, entering remittance in the cash book and monthly accounts by creating receipt challans without the corresponding credit into the bank account was not in line with the Rules. In the test checked receipt challans, Audit noticed that a sum of US\$ 39,266 deposited into the bank account of the Consulate during April to September 2011 was not taken into the cash book. In view of such irregular creation of receipt challans, the possibility of any actual remittances remaining un-deposited in the bank account of the Consulate could not be ruled out.

In response, CGI, Houston stated that receipt challans were created to nullify other fictitious vouchers/challans. Explanation offered by the accounting staff making such entries indicated lack of training and proper knowledge to operate IMAS.

Thus, it is evident that the CGI, Houston submitted monthly accounts to MEA having serious inaccuracies. The expenditure and receipts in the monthly accounts included artificially created payment vouchers of US\$ 3,72,632 (₹1.85 crore)<sup>5</sup> and receipt challans of US\$ 3,62,172 (₹1.79 crore)<sup>5</sup> respectively. Withdrawals of US\$ 69,356 and deposits of US\$ 39,266 to bank accounts were not entered in the cash book. Consequently, the possibility of short accounting of cash receipts and unaccounted withdrawal of moneys from the bank could not be ruled out. The matter needs urgent investigation by the appropriate authorities to reconstruct accurate monthly accounts of the Consulate.

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<sup>5</sup> Calculated at the exchange rate of March 2012 (1 US\$ = ₹ 49.60)

The Ministry also needs to get all the accounts staff deployed on operation of IMAS imparted proper training and given problem resolution mechanism to rule out fictitious entries. The system should have necessary checks to raise red flags.

The matter was referred to the Ministry in December 2013; their reply was awaited (May 2014).

#### **5.4 Overpayment of foreign allowance to project management teams**

**The Missions in Moscow and Paris paid discretionary foreign allowance instead of foreign compensatory allowance to six officers of Indian Air Force posted in project management teams in Moscow and Paris. This resulted in overpayment of ₹ 74.69 lakh to the officers during November 2009 to August 2013.**

According to the provisions of IFS (PLCA) Rules<sup>6</sup>, a member of the Indian Foreign Services serving outside India may be granted a foreign allowance (FA) which includes wages for India based and/or local domestic servants. In case they employ local servant(s) in lieu of India based domestic assistants, discretionary FA is payable to them. Ministry of External Affairs (MEA) directed (February 2009 and December 2010) that officers having assignments of non-representational nature be paid foreign (compensatory) allowance (FCA) and to draw the FCA, prescribed, rank equivalence of officers of the Central and State Governments with officers of the Services deputed in Missions abroad. It was also specified that the rank equivalence of Military officers on assignment or deputation under any programme of the Government of India would be determined on the basis of their military rank as per the existing system. Again, through an addendum (September 2013) to December 2010 letter, the Ministry reiterated that no diplomatic rank was actually granted to the Central/State Government officers entitled to draw FCA. Rank equivalence as mentioned in MEA's order of December 2010 was only notional and was used solely for reference purposes internally by MEA to determine the quantum of FCA.

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<sup>6</sup> Rule 7 and 8, Chapter III of Indian Foreign Service (Pay, Leave, Compensatory Allowance and other Conditions of Service) Rules, 1961

Air Headquarters of Air Force (Air HQ) accorded sanctions (October 2009 and April 2011) for posting of two officers in MiG-29 'upgrade project management team' (PMT) in Moscow formed in June 2008. Ministry of Defence, Air Headquarters (MoD) conveyed (August 2011) sanction for formation of Mirage-2000 PMT in Paris consisting of four officers. Sanctions, inter alia, stated that the officers were entitled to FA as applicable to Defence services personnel of corresponding rank and grade posted in the Missions. However, the sanctions were silent about any orders regarding grant of diplomatic status to the officers by the Foreign Service Board<sup>7</sup> (FSB).

Audit scrutiny (August-September 2013) disclosed that:

- The Mission in Paris, instead of paying the entitled FCA as specified by the MEA orders, paid discretionary FA at rates admissible to a Counsellor rank officer to the team leader and that of a First Secretary level officer to the other three officers;
- The Mission in Moscow, in contravention of the directives of the Ministry, paid discretionary FA at rates admissible to a First Secretary rank officer.

Consequently, the two officers of PMT Moscow received excess FCA of ₹ 29.69 lakh<sup>8</sup> during November 2009 to August 2013 and the four officers of PMT Paris received excess FCA of ₹ 45.00 lakh<sup>9</sup> during September 2011 to August 2013.

In reply to audit observation (January 2014), the Mission in Moscow forwarded (January 2014) reply of the Air wing of the Mission which stated that the orders (June 2008, October 2009 and April 2011) issued by Government of India clearly grants FA as applicable to Defence service personnel of corresponding rank and grade posted to the Mission.

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<sup>7</sup> Constituted under Indian Foreign Service (Recruitment, Cadre, Seniority and Promotion) Rules, 1961 which is empowered to grant diplomatic status to officers posted in Indian Missions and Posts abroad, whether members of the Foreign Service or not.

<sup>8</sup> USD 60654.09 at the applicable salary rate of exchange.

<sup>9</sup> USD 90450.74 at the applicable salary rate of exchange.

The reply was not acceptable as the two officers of PMT Moscow were not granted diplomatic status by the FSB and vide MEA's addendum of September 2013, rank equivalence does not automatically grant diplomatic status. Further, vide MEA's orders of February 2009 and December 2010, such officers were entitled to FCA only.

The Mission in Paris informed (January 2014) that MOD was requested (January 2014) to forward copy of the order/minutes of the FSB for deployment of PMT Paris and reply was awaited as of March 2014.

Thus, the Missions in Moscow and Paris did not comply with MEA's orders of February 2009 and December 2010 for payment of FCA to six officers posted in PMTs of Indian Air Force in Moscow and Paris. The irregular payment of discretionary FA in lieu of FCA to these officers resulted in overpayment of allowances of ₹ 74.69 lakh till August 2013 and the excess payment was continuing (March 2014).

The matter was referred to the Ministry in January 2014; their reply was awaited (May 2014).

### **5.5 Short collection of fees for passport miscellaneous services**

<b>Non-revision of Passport Miscellaneous Services fees resulted in loss of revenue of ₹ 1.52 crore</b>
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Ministry of External Affairs (MEA) in its Gazette Notification dated 28 September 2012 revised fees for passport and other related services such as issue, reissue or replacement of passport, issue of Emergency or Identity Certificates or Police Clearance Certificates etc.

As per Chapter 3 (5) (I) (B), of Passport Manual 2010, "The term reissue of passport will include issue of fresh booklet in all scenarios such as exhaustion of visa pages, damage/loss of passport, expiry of SVP, change in particulars, addition of spouse name etc". Furthermore, as per Passport Manual 2010 and ICAO Regulations, issue of handwritten travel documents, except EC, is not permitted from 01.04.2010<sup>10</sup>, and fresh booklets are to be issued in case of any change in the personal particulars of the passport holders.

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<sup>10</sup> Handwritten passports issued before 1 April 2010 would remain valid till 31 March 2014

Audit observed that High Commission of India, Singapore (HCI Singapore), through its outsourced agencies, continued to manually endorse changes on the existing passports, and that from October 2012 to July 2013, collected only SG\$ 20, instead of issuing new booklets for SG\$ 100<sup>11</sup>, in 3,752 cases. This resulted in loss of revenue of SG\$ 3.0016 lakh (₹ 1.40 crore)<sup>12</sup>.

Similarly, the Embassy of India, Tokyo (EI Tokyo), also manually endorsed changes in personal particulars in existing passports, charging only ¥ 1,400 instead of issuing fresh booklets for ¥ 10,500. Audit observed short collection of fees in 227 cases, amounting to ¥ 20.657 lakh (₹ 12.61 lakh)<sup>13</sup>.

Audit observed that in contravention of the provisions of Passport Manual 2010, HCI Singapore, and EI Tokyo, continued to manually endorse changes in personal particulars in existing passports, instead of issuing new booklets. Apart from contravening extant instructions, this resulted in short collection and loss of revenue of ₹ 1.52 crore<sup>14</sup>.

HCI Singapore stated (6 August 2013) that in the Gazette Notification of 2002, the category under Miscellaneous Services included a specific entry for 'Additional endorsement or other miscellaneous service' and that as the Gazette Notification of 2012 did not contain any such entry, HCI Singapore, did not revise the fees for passport related services.

EI Tokyo stated that they had implemented the revision of passport fees as per MEA's Gazette Notification of 2012, which did not specifically mention revision of fees for services related to change in address and inclusion of spouse's name, and certificate of No Objection to Return to India (NORI). EI Tokyo further stated that there were contradictions in various chapters of the Passport Manual and that they have sought clarifications on the issue from MEA.

The replies of HCI Singapore, and EI Tokyo are not acceptable as Chapter 3 (5) (I) (B) of the Passport Manual 2010, clearly specifies the

<sup>11</sup> Assuming the minimum rate of USD 75 for issue of fresh passport of 36 pages for an adult, rounded off in local currency

<sup>12</sup>  $(100 - 20) \times 3,752 \times 46.512 = ₹ 1,39,61,042$

<sup>13</sup>  $(10500 - 1,400) \times 227 \times 0.6105 = ₹ 12,61,110$

<sup>14</sup> ₹ 139.61 lakh + ₹ 12.61 lakh = ₹ 152.22 lakh

cases wherein new passports are to be issued. The Gazette Notification of 2012, merely revised fees for various services and does not deal with the circumstances in which new passports are to be issued. Moreover, MEA (CPV Division) vide its letter of 4 September 2013, responded to HCI Singapore on the issue, informing them that only new passport booklets should have been issued in all such cases, involving change in personal particulars.

The Ministry, in its reply agreed with the Audit, and stated (February 2014) that it had issued letters to the missions in Singapore and Tokyo, directing them to immediately stop manually endorsing passports while rendering miscellaneous services.

#### **5.6 Undue financial benefit to the service provider**

**Irregular increase of service charges for surrender of passport services and levy of inadmissible administrative fee on such services resulted in undue financial benefit of ₹ 67.36 lakh to the service provider during September 2010 to March 2013.**

The High Commission of India, London (Mission) executed an agreement with M/s VF Services Ltd (service provider) on 31 August 2010 for outsourcing the surrender of passport services. As per schedule I, condition 4.1 of the agreement, the service provider is entitled to levy a service charge of £ 6.90 per surrender of passport application.

Ministry of External Affairs (Ministry) enhanced (August 2011) the visa outsourcing service charges levied by the same service provider for providing visa services to the Mission from £ 6.90 to £ 7.70 per service. During audit, it was noticed that on the basis of the said order, the service provider enhanced the service charges for surrender of passports also from the existing rate of £ 6.90 to £ 7.70 per application with effect from 12 September 2011.

Audit observed (January 2012) that the orders for enhancement of service charges issued in August 2011 was applicable only for visa services provided to the Mission by the service provider and levying the increased rates for surrender of passports services was irregular and resulted in undue financial benefit to the service provider. Though the service provider agreed (March 2012) to reduce the service charges to



£ 6.90 with immediate effect, the levy of enhanced rate continued till 30 September 2012. As the service provider had processed 31264 applications during 12 September 2011 to 30 September 2012, the undue financial benefit accrued to the service provider amounted to ₹ 18.73 lakh<sup>15</sup>.

Further, it was also observed (April 2013) that beyond the provisions of the agreement, the service provider had been levying administrative fee of £0.80 per application since commencement of the outsourcing services for surrender of passports. Though in respect of visa services provided to the Mission by the same service provider, the Ministry directed (October 2009) the Mission to initiate action to discontinue the levy of irregular administration fee by the service provider, the Mission allowed the service provider to levy the irregular administrative fee on surrender of passport services since commencement of the agreement. The service provider had processed 85157 applications during 6 September 2010 to 31 March 2013 and unduly benefitted by an amount of ₹ 48.64 lakh<sup>16</sup>. The undue benefit on this count is continuing and will increase further.

The total undue benefit accrued to the service provider till 31 March 2013 in respect of the service of surrender of passports amounted to ₹ 67.36 lakh.

When the matter was pursued with the Mission, the Mission directed (October 2012) the service provider to refund the unintended benefit accrued due to enhanced service charges on surrender of passport services and discontinue the levy of administrative fee as directed by the competent authority. As the amount collected on account of enhanced service charges had not been refunded by the service provider and the arbitrary collection of administrative fee of £0.80 continued, the matter was again reported to the Mission (July 2013). The Mission changed its earlier stand and replied (August 2013) that the Ministry while conveying approval for outsourcing of surrender of passport services specified that approved services charges for visa

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<sup>15</sup> 31264 X £0.80 = £25,011 at the lowest exchange rate of 1£ = ₹ 74.88 (September 2011) prevalent during September 2011 to September 2012

<sup>16</sup> 85157 X £0.80 = £68,126 at the lowest exchange rate of 1£ = ₹ 71.39 (November 2010) prevalent during September 2010 to March 2013

applications would be applicable for surrender of passport services also. However, the said letter was not available on the records of the Mission and the Mission stated that it had requested the Ministry to provide the same. The Mission further stated that as the audit observation of levying of these charges from visa applicants was still under consideration, separate observation for surrender of passport services was perhaps not needed. The reply of the Mission is not tenable as the service of surrender of passports was outsourced through a separate agreement.

As the service provider was selected through a competitive bidding process, any arbitrary increase in service charge during the period of contract amounted to post tender concession and is in contravention of CVC guidelines. Thus, the failure on the part of the Mission to enforce the terms and conditions of the agreement resulted in undue financial benefit of ₹ 67.36 lakh to the service provider.

The matter was referred to the Ministry in October 2013; their reply was awaited (May 2014).