

CHAPTER II : MINISTRY OF EXTERNAL AFFAIRS

Indian Council for Cultural Relations

2.1 Undue favour to contractor

The Indian Council for Cultural Relations awarded the work of inaugural ceremony of “Festival of Russia in India” to a contractor at a cost of ₹ 55.05 lakh without following tendering process.

The Indian Council for Cultural Relations (Council) organized (February 2008) an inaugural ceremony of “Festival of Russia in India” at the Purana Quila in Delhi. The work of stage set up, hiring of water tank, providing general lighting etc. for the ceremony was verbally awarded to M/s Modern Stage Services Pvt. Ltd. (Contractor) at a cost of ₹ 55.05 lakh. The Contractor started the work (February 2008) as per directions of the Council and demanded 50 *per cent* as advance payment. The Council paid ₹ 14.70 lakh as advance payment to the Contractor in February 2008 and the remaining amount was paid in March 2008.

Audit scrutiny revealed the following irregularities :

- I. The Council awarded the work without following tendering process which was in contravention to General Financial Rules (GFR).
- II. The Council did not execute a formal contract agreement with the Contractor clearly specifying its requirements, terms and conditions as stipulated in GFR.
- III. The Council paid ₹ 14.70 lakh to the Contractor as advance without taking precaution to safeguard government money in the form of bank guarantee from the Contractor as required under GFR.
- IV. The Council released final payment to the Contractor despite objections raised by the Finance & Accounts wing of the Council. The Finance & Accounts wing of the Council observed irregularities in the matter and advised the Council to seek the concurrence of the Additional Secretary (FA) of the Ministry. However, the Council made payment to the Contractor without referring the matter to the AS (FA).
- V. The invoice did not contain details of the material/services provided by the Contractor and rates charged there against. In the absence of item-

wise rates the reasonableness of the amount charged by the Contractor could not be ascertained in audit.

The Council stated (February 2009) that “Festival of Russia in India” was a very highly prestigious event and M/s. Modern Stage Services Pvt. Ltd. was the only agency empanelled and doing such big events for the Council. It further stated that there was no basis for referring the matter to AS (FA) as the Council is an autonomous institution and payment was within delegation of financial powers.

The reply is not acceptable as awarding work on the basis of past experience is not in consonance with GFR which stipulates that all government purchases should be made in a transparent, competitive and fair manner to secure best value for money. Further, AS (FA) of the Ministry happens to be the Financial Advisor of the Council and there was no question of breach of autonomy of the Council in obtaining his advice.

The matter was reported to the Ministry in November 2010; their reply was awaited as of February 2011.

2.2 Irregular expenditure

Indian Council for Cultural Relations obtained approval of competent authority by including misleading information in the proposal for work of publication of its journal, ‘Africa Quarterly’ to a private firm resulting in irregular expenditure of ₹ 37 lakh during the period from February 2006 to December 2009.

Indian Council for Cultural Relations (Council) signed (September 2005) a Memorandum of Understanding (MOU) with a private firm for generation of content, design and publication of ‘Africa Quarterly’, a premier publication brought out by Council at a cost of ₹ 10 lakh *per annum*. As per the proposal of Director General of the Council submitted (May 2005) to Vice-President of the Council for approval, the publisher was to generate revenue through mobilisation of advertisements for the journal and sale. It was proposed that the firm would lift 50 *per cent* of the printed copies at an introductory price of ₹ 50 per copy. The revenue earned was to be shared equally between the Council and the firm.

Audit scrutiny revealed that the terms and conditions relating to mobilization of revenue through advertisements and sale of journal were not included in the MOU signed with the firm. Non-inclusion of such terms and conditions resulted in not only financial loss to the Council but undue benefit to the firm

also. Further, the Council signed the MOU for a period of three years in contravention of the decision taken by Foreign Secretary/Vice-President of the Council (June 2005) wherein it was stipulated that the proposal would be for a trial period of one year and advised to review the situation after a year. However, the Council continued the MOU with the firm and a payment of ₹ 37 lakh had been made during the period from February 2006 to December 2009 on this account.

While admitting the discrepancy, the Management stated (August 2009) that the initial proposal for sharing the revenue and marketing the publication, as originally envisaged, was never implemented since no formal proposal was made by the firm. The proposal to include advertisement as well as to market the journal on a commercial basis and to share revenue was discussed verbally by the firm with the Council. It further stated that the services of the firm were continued as the Council was satisfied with the quality of the publication.

The reply of the Management is not acceptable as including the terms and conditions regarding mobilising advertisement, sale of journal and sharing the revenue in the proposal for approval without formal proposal from the firm, misled the competent authority. Obtaining the approval of competent authority on misleading information and non-implementation of approved proposal in toto has rendered the approval as void. Thus, incurring expenditure of ₹ 37 lakh by the Council against such approval resulted in irregular expenditure.

The matter was reported to the Ministry in November 2010; their reply was awaited as of February 2011.