

CHAPTER III : MINISTRY OF EXTERNAL AFFAIRS

3.1 Performance of Consular wings

Introduction

Indian Missions and Posts abroad provide passport, visa and other consular services to foreign nationals and Indians abroad through their consular wings. The Consular, Passport and Visa (CPV) Division of the Ministry of External Affairs (MEA) provides these services to Indian citizens through the Central Passport Organisation (CPO) in India. The policies, rules, regulations and procedures in this regard are framed by the CPV Division of the Ministry. This division is mainly responsible for implementing the provisions of the Passport Act, 1967 and the Passport Rules 1980, in coordination with other ministries and passport issuing authorities¹ in India.

The receipts of the Ministry comprise mainly of passport fees realized by the Regional Passport Offices/Passport Offices (RPOs/POs) in India and consular fees charged by the Missions and Posts abroad. The accounts of the revenue realized by all the Missions and Posts abroad are maintained by the Principal Chief Controller of Accounts (Pr. CCA), Ministry of External Affairs, New Delhi. The receipts on account of the passport and visa fees of the Ministry during the last four years were as follows:

Year	Total Receipts (₹ in crore)
2007-08	1667.27
2008-09	2045.85
2009-10	2101.13
2010-11	2266.65

A test check of the records of the consular wings of 92 out of 176 Missions and Posts abroad was conducted by Audit. The details are given in **Annex-VIII**.

The audit findings are discussed in the succeeding paragraphs:

Consular fees

3.1.1 Short recovery of visa fees

According to the Ministry of External Affairs' instructions of June 2008 (effective from 1 July 2008), business visas were to be issued for a minimum

¹ Regional Passport Offices

validity of one year. The instructions further stipulated that registration would be required if the stay on each visit exceeded 180 days (except for the countries specified in para 50 of the Visa Manual 2003, as amended from time to time). The rates of business visa fees were different for specified and unspecified countries.

Audit noted that 25 Missions and Posts² issued visas of less than one year's validity in contravention of the instructions. This resulted in short realization of visa fees to the extent of ₹ 36.85 crore in respect of 1,38,711 cases for unspecified countries and ₹ 21 lakh in respect of 489 cases for specified³ countries. These are detailed in **Annex-IX (a and b)**.

Audit further noted that the Missions at Abu Dhabi and Dushanbe, while issuing business visas for more than one year had incorrectly charged visa fees prescribed for one year. This resulted in total short levy of ₹ 20 lakh in respect of 536 cases as detailed in **Annex-IX (c)**.

The Ministry accepted the audit observation and stated (November 2010) that the instructions on business visa fees had been reiterated to all the Missions and Posts abroad. It also stated that the concerned Heads of the Missions and Posts had also been requested to explore the possibility of recovering the fees, wherever feasible. The Ministry issued (November 2010) a further clarification that the Missions and Posts may issue visas valid for less than one year if desired by the applicants, but the fees must be charged for one year.

3.1.2 Non-levy of additional fees- Indian Community Welfare Fund Scheme

The Indian Community Welfare Fund (ICWF) was established in October 2009 in the Indian Missions in 17 Emigration Check Required countries⁴ and Maldives with the approval of the Cabinet. The Fund was established to carry out welfare activities for overseas Indian citizens in distress. The coverage of the Fund was further extended to 24 Indian Missions in April 2010 and to the remaining 157 Indian Missions and Posts in March 2011. Under this scheme, the Missions and Posts were required to raise funds by levying an additional

² Abu Dhabi, Addis Ababa, Algiers, Bahrain, Beijing, Beirut, Brussels, Damascus, Dar-es-salaam, Dubai, Dushanbe, Guangzhou, Jeddah, Kathmandu, Mahe (Victoria), Mandalay, Milan, Mombasa, Nairobi, Osaka, Rome, Seoul, Shanghai, The Hague and Tripoli

³ One year business visa fee for UAE (one of the specified countries where visa fees are collected on reciprocal basis) is US \$ 415, whereas one year business visa fee for the rest of the countries (unspecified countries) is US \$ 120.

⁴ Afghanistan, Bahrain, Indonesia, Iraq, Jordan, Kuwait, Lebanon, Libya, Malaysia, Oman, Qatar, Saudi Arabia, Sudan, Syria, Thailand, UAE and Yemen.

fee of ₹ 100 (rounded off in local currency) for each type of consular service {issue of passport, visa, Overseas Citizenship of India (OCI) and Person of India Origin (PIO) cards} rendered by them.

It was noticed in Audit that in 17 Missions and Posts⁵, there were considerable delays of two to 17 months in the implementation of the scheme, resulting in non-collection of additional fees of ₹ 15.29 crore (**Annex-X**).

The Missions and Posts in USA were brought under the ICWF scheme through MEA's orders of April 2010. Audit noted that the Indian Missions and Posts in the United States of America (USA) had not implemented the ICWF scheme. This led to non-collection of additional fees of ₹ 6.26 crore (**Annex-XI**).

The Mission at Luanda and the Post at Rajshahi informed (August and September 2011 respectively) that they did not get any orders/instructions from the Ministry regarding levy of ICWF fees. The Mission at Colombo stated (January 2012) that the scheme was being implemented from 1 June 2011 onwards, after working out the modalities between the Mission and the Posts, as no time frame had been fixed by the Ministry. The Mission at Kampala stated (September 2011) that the leaders of various Indian associations in Uganda felt that the levy on consular services would put an additional financial burden on the local visa seekers. It also stated that it did not come across any such case in the past. The Mission at Bangkok attributed (December 2011) the delay in implementing the scheme to administrative, functional, financial and technological modalities required before implementation. The Post at Hong Kong stated (December 2011) that the delay was due to non-receipt of the Ministry's order dated 24 March 2011 in time. It further stated that the scheme guidelines in the order were unclear and required consultation with MEA and other Missions.

The Mission at Washington DC, stated (April 2011) that the scheme was not being implemented in view of the discontent among the Indian community in USA regarding several other levies and visa restrictions. It further stated that the decision to implement the scheme was deliberately deferred, keeping in view the fact that the incidence of Indian citizens in distress in USA was minimal.

⁵ Bangkok, Berlin, Birmingham, Colombo, Edinburgh, Frankfurt, Hamburg, Hong Kong, Kampala, London, Luanda, Milan, Munich, Paris, Rajshahi, Rome and The Hague.

The replies of the Missions and Posts about non-receipt of orders from the Ministry are not convincing as these orders were communicated through e-mail as well as by post and clearly mentioned the date of implementation. Further, it was noticed that the scheme was implemented by the Missions and Posts in USA from April 2011 after the audit observations (December 2010). The replies of the Missions were also indicative of absence of a proper monitoring mechanism in the Ministry, which did not seek compliance of its orders from the Missions.

3.1.3 Unauthorised expenditure from ICWF

The ICWF was meant to carry out on-site welfare activities for overseas Indian citizens who were in distress and were not to be diverted for any other purpose. Audit noted that the Indian Posts at Sydney and Melbourne made payments of ₹ 7.13 lakh and ₹ 6.05 lakh respectively, towards salaries of contingent staff from the ICWF, in contravention of the scheme provisions.

The Post at Sydney stated (February 2012) that the payments were made with the approval of the Mission at Canberra, exclusively for dealing with matters concerning the welfare of the Indian community and not for regular consular work. The Post at Melbourne stated (October 2011) that the staff hired from October 2010 to January 2011 was for managing the initial launch of the scheme and it had not asked for additional manpower to handle the ICWF thereafter.

The fact remains that the payments towards salaries of contingent staff were outside the scope of the ICWF framework and were, therefore, irregular.

3.1.4 Loss due to delayed implementation of revised fees

In September 2002, the Government of India revised the Persons of Indian Origin (PIO) card scheme that allowed people of Indian origin living across the world, visa free entry to India for 15 years. Subsequently, the Government introduced the Overseas Citizenship of India (OCI) scheme with effect from 2 December 2005 to provide lifelong visa benefits to foreign nationals of Indian origin. The prescribed fee for the OCI scheme was US \$ 275 (₹ 12537) for non-PIO card holders and US \$ 25 for PIO card holders.

The fee of US \$ 25 for PIO card holders was revised to US \$ 145 in respect of child PIO card holders as per a Government of India, Ministry of Home Affairs (MHA) notification dated 25 February 2009. The order to this effect was issued by the MHA on 30 July 2009. In the Mission and Posts in the USA,

revised fees of US \$ 145 in respect of child PIO card holders were collected from varying dates between September and October 2009, depending on the receipt of MHA's orders in the Missions and Posts. Audit noted that during the intervening period between the dates of issue of the orders and the dates of actual collection of revised fees, 503 child PIO card holders were converted to OCI card holders. The delay in the implementation of the revised fee structure due to late receipt of orders from the Ministry led to a loss of ₹ 27.16 lakh.

3.1.5 Deficient cash management of consular receipts

According to Para 16 of the Consular Manual, all fees must be paid before the services concerned are rendered. The Ministry reiterated (October 2000) that consular services should be provided by the Missions and Posts only after realisation of consular fees.

Audit noted that in the Mission at Washington DC, 60 cheques received against the fees remained unreconciled, as the Mission was unable to link them with the applicants. Out of these 60 cheques, four cheques amounting to US \$ 580 (₹ 26,442⁶) became time-barred and could not be realized. Further, in the Post at Chicago, cheques amounting to US \$ 2043 (₹ 93,140) were dishonoured as the applicants advised their banks to stop payment after availing of the consular services. Thus, due to non-compliance of the Ministry's instructions, the Mission and the Post failed to realize consular fees of US \$ 2623 (₹ 1,19,583).

Thus, as a result of non-observance of the laid down provisions, Government receipts were not duly realized, accounted for and promptly deposited into the bank for inclusion in the Government accounts. This indicated the weak cash control mechanism in the Missions and was also fraught with the risk of leakage of Government money.

3.1.6 Delay in remittance of consular fees

The Government of India had appointed Honorary Consulates General (HCG) in Barcelona and Tenerife under the jurisdiction of the Mission at Madrid since 1969 and 1993, respectively. Both the HCGs, *inter alia*, helped the Missions in discharging their consular functions, viz issue of visas, registration of passports, attestation of documents of members of the Indian community, *etc.* Their work included accepting visa applications, collecting the prescribed

⁶ 1 US \$ = ₹ 45.59 (as per official rate of exchange for the month March 2011)

fees from the applicants and forwarding the applications and the receipts to the Mission.

In Madrid, consular fees amounting to ₹ 5.60 crore collected by the HCGs during the period 2005 to 2011 were remitted to the Mission after delays ranging between 30 days to three years (**Annex-XII**).

Thus, the amount collected towards consular fees was not promptly deposited into the Government Account. This also exposed the Mission to the risk of misappropriation of Government money.

3.1.7 Irregularities in selection of service providers

In November 2006, the Ministry decided to outsource visa support services⁷ in 19 Missions and Posts. This was further extended to 56 Missions and Posts⁸. The Missions and Posts were instructed to outsource the services through competitive bidding in a transparent manner, in accordance with the guidelines laid down by the Ministry and the provisions of the General Financial Rules (GFRs).

The Ministry also circulated (April 2007) a model contract to the Missions and Posts laying down the essential terms and conditions to be incorporated in the outsourcing contracts.

Audit revealed a number of deficiencies in the process of evaluation of tenders, selection of service providers (SP), terms and conditions negotiated and contracted with the SPs and execution of the contracts. These are described below:

3.1.7.1 Outsourcing of services without competitive bidding

The Post at Hamburg outsourced its visa support services to a firm (M/s IGCS) for a period of 10 years at the rate of Euro 13.50 including VAT as service charge, without following any competitive tendering process. This was

⁷ Visa support services broadly include distribution of blank application forms, collection and scrutiny of visa applications with supporting documents and prescribed visa fees, depositing of fees with Missions and Posts, capturing the visa application data in electronic format and transferring the same to the Missions and Posts.

⁸ Abu Dhabi, Amman, Athens, Bangkok, Beijing, Berlin, Bern, Birmingham, Brussels, Canberra, Chicago, Chittagong, Colombo, Dhaka, Dubai, Edinburgh, Frankfurt, Guangzhou, Hamburg, Hong Kong, Houston, Islamabad, Jeddah, Kabul, Kathmandu, Khartoum, Kobe, Kuala Lumpur, Kuwait, London, Madrid, Melbourne, Milan, Moscow, Munich, New York, Osaka, Oslo, Ottawa, Paris, Petersburg, Riyadh, San Francisco, Seoul, Shanghai, Singapore, Stockholm, Sydney, Tel Aviv, The Hague, Tokyo, Toronto, Vancouver, Vienna, Warsaw, Washington DC

justified on the grounds that the same company was providing visa support services in the Post at Frankfurt at the same rate. The reasons advanced were in violation of the provisions of the GFRs and the instructions of the Ministry. Further, the rates agreed to by the Post were uneconomical in comparison to those in the Mission at Berlin and the Post at Munich, where the services had been outsourced after carrying out a combined competitive tendering process, at the rate of Euro 11.78 per visa application.

3.1.7.2 Absence of due diligence in evaluation of bids

The Mission at Ottawa received four bids for outsourcing visa support services. Two bids qualified technically and their financial bids were opened. M/s VFS Global Services (one of the two technically qualified firms) was adjudged the lower one, though the treatment of Goods and Services Tax (GST) while arriving at the rates quoted was not comparable between the two bids. The firm was awarded the contract at the rate of C\$ 15.75 per application, exclusive of GST and other charges. The other technically qualified bidder, M/s TT Services quoted a uniform price of C\$ 16.45, inclusive of all applicable local taxes plus courier and logistic costs.

The tender committee rejected the financial bid of M/s TT Services on the ground that the quoted price was essentially indeterminate, being inclusive of local taxes, which varied from province to province in Canada. Audit, however, noted that after including the minimum GST of five *per cent* in any State of Canada the quoted price of M/s VFS, worked out to be C\$ 16.54, which was more than the price quoted by M/s TT services, even if courier and other logistic components were excluded. This resulted in undue benefit of C\$ 512,000 (₹ 2.33 crore⁹) annually to the service provider with an additional financial burden on the applicants.

The Mission stated (January 2010) that the Request for Proposal (RFP) had sought unconditional bids exclusive of local taxes. It further stated that while the bid of VFS was in conformity with the RFP document, the bid of TT services carried a clause that it included applicable local taxes. The reply may be viewed in light of the fact that even if minimum five *per cent* GST was added to the rates of VFS (GST rates in Canada were more than five *per cent* GST in all provinces), the rates would be more than the rate quoted by TT services, which was inclusive of taxes.

⁹ 1 ₹ = 0.022 Canadian Dollar (C\$) (as per official rate of exchange for the month March 2011)

3.1.7.3 Selection of service provider not based on the lowest quotation

(i) The Mission at Canberra received eight bids for outsourcing of visa support services. Five of these bids were rejected on technical grounds and the remaining three were shortlisted for opening of their financial bids. The Mission awarded the contract to M/s VFS Global at the rate of A\$ 16.36¹⁰ plus GST per application, in November 2007.

Audit noted that at the time of opening of bids, M/s Mercantile Pacific Pvt. Ltd., one of the technically qualified firms, quoted the lowest rate of A\$ 16.46 plus GST per application while M/s VFS Global quoted a rate of A\$ 17.50 plus GST per application. The Mission, without making any attempt to negotiate with the lowest bidder, held negotiations and awarded the contract to the L2 bidder (M/s VFS Global). Further, M/s Mercantile Pacific Pvt. Ltd. corresponded on several occasions with the Mission and offered to bring down its rates even further. The Mission, however, did not respond. Hence, the selection of M/s VFS Global was inappropriate and in contravention of the guidelines of the Central Vigilance Commission (CVC). The Mission replied (July 2010) that M/s VFS Global was selected because it had the knowledge of the Ministry's requirements and had been providing services in other Indian Missions also, while M/s Mercantile Pacific Pvt. Ltd. lacked sufficient knowledge and experience in the required field. The reply of the Mission does not recognize that M/s Mercantile Pacific Pvt. Ltd. was an ISO 9001 certified Company with nine years of experience in Australia and above all, its suitability had already been accepted during the technical evaluation by the Mission. The action of the Mission to award the work to M/s VFS Global was, thus, irregular.

(ii) As per the General Financial Rules (GFRs), every authority delegated with financial powers of procuring goods shall be responsible for bringing efficiency, economy and transparency in public procurement.

In the Mission at The Hague, out of the seven bids received, financial bids of two technically qualified bids were opened. The contract was awarded (November 2010) to the L2 bidder (M/s VFS Global). The contract was awarded at the rate of Euro 11.50¹¹, inclusive of all local taxes and VAT, in comparison to the rate of Euro 7.70 per application, inclusive of VAT quoted by the lowest bidder M/s IVS Global. Hence, the provisions of the GFR and

¹⁰ 1 ₹ = 0.022 Australian Dollar (A\$) (as per official rate of exchange for the month March 2011)

¹¹ 1 Euro = ₹ 62.570 (as per official rate of exchange for the month March 2011)

instructions of the Ministry were not observed. The manner of selection indicated lack of transparency.

The Mission replied (July 2011) that VFS Global quoted Euro 11.50, inclusive of VAT, for all the services. IVS Global quoted Euro 7.70, inclusive of VAT for passport and visa services and no service charge for OCI and PIO cards. The experience of VFS Global was vastly superior to that of IVS Global. M/s VFS Global had been providing successful services, among others, to the Mission at London as well as to the Dutch Embassy and Consulates in India. It was felt that M/s VFS Global, because of its experience of working with the Dutch Missions in India, could prove to be more effective and efficient. In view of the fact that the Netherlands had an Indian diaspora comprising 200,000 Non-Resident Indians (NRIs) and PIOs, the Committee felt that the offer of gratis services by M/s IVS Global for OCI and PIO cards might not be sustainable because of the increasing number of OCI and PIO card applications. Given the above circumstances, it was evident that the selection of M/s VFS Global was totally fair.

The justification advanced by the Mission is not convincing in view of the fact that both the firms were technically qualified. As such, the Mission should have selected the lowest bidder.

3.1.7.4 Erroneous agreement leading to overcharge of service fees by ₹ 2.38 crore

The Mission at Stockholm signed (September 2008) an agreement with M/s TT Enterprises Pvt. Ltd. for outsourcing of visa support services for a period of three years with effect from December 2008.

Audit noted that the service provider was selected for award of a contract on the basis of its lowest financial quote of SEK¹² 171 per application (inclusive of all local taxes and VAT) as service charge. However, the agreement was concluded at SEK 170 per application, exclusive of any applicable taxes and the service provider effectively charged SEK 212 (SEK 170 as service charge plus SEK 42 towards VAT) per application from the applicants. During December 2008 to May 2011, the service provider had processed 87207 applications and received SEK 1,84,87,884 as service charges. This included SEK 36,62,694 (₹ 2.38 crore) towards VAT, which should not have been borne by the applicants.

¹² 1 ₹ = 0.154 Swedish Krona (SEK) (as per official rate of exchange for the month August 2010)

On this being pointed out (October 2010) by Audit, the Mission took up the matter with the service provider in October 2010 to rectify the error. The service provider contended that it was allowed to charge SEK 170 per application, exclusive of VAT during the discussion with the Mission, which was later translated into the final agreement. However, the Mission confirmed (November 2010) that no such record of any meeting or discussion as alleged by the service provider had been found. This indicated that due care had not been exercised by the Mission in drafting the agreement. This led to undue financial burden on the applicants, with consequent unintended benefit to the service provider by SEK 36,62,694 (₹ 2.38 crore). The Ministry stated (October 2011) that the Mission had issued a notice to the service provider to refund the amount, failing which the amount would be recovered from the guarantee money and the Company blacklisted.

3.1.7.5 Deviation from the terms of the contracts

(i) The Mission at Paris entered into an agreement in February 2008 with M/s VFS for providing visa support services for a period of three years at the rate of Euro 12 per ordinary application and Euro 22 per application for urgent services. The service provider represented to the Mission in April 2009 for revision of service charges as it was incurring heavy losses on its operations in France. Based on the representation, the Mission revised the service charge from Euro 12 to Euro 14 per ordinary application and from Euro 22 to Euro 25 for urgent applications from April 2009 in an arbitrary manner, without following the re-tendering process.

Any ad hoc increase in the service charges midway through the contracted period defied the very purpose of selecting the lowest bidder through open tendering. The Mission stated (June 2011) that on the instructions of the Ministry, the service charges had been reverted to the original rates with effect from 6 June 2011. The fact remains that the Mission incorrectly revised the service charges upwards without assigning sufficient justification. This resulted in an unintended benefit of ₹ 5.34 crore to the service provider which was collected as enhanced service charges on 3,41,656 ordinary visas and 56,596 emergency visas issued during the period April 2009 to June 2011.

(ii) In the Mission at Madrid, the visa support services were outsourced to M/s VPS, (a division of M/s BLS Detectives Ltd.) in March 2009. It was, however, noted that the service provider subsequently subcontracted the services to a local firm, which was in contravention of the provisions of the model contract of the Ministry, which stipulated that only small activities like

couriering, catering and appointment of security guards etc. may be sub-contracted.

The service provider was required to commence partial operations from two locations (Madrid and Barcelona) within four months of signing the contract and full operations within two months of starting the partial operations. The service provider commenced the operations at Madrid from June 2009. The centre at Barcelona, however, was not made operational till 16 January 2011. In March 2010, considering the low volume of applications, the Mission concluded that opening of the centre at Barcelona would not serve any useful purpose and took up the matter with the Ministry. The Ministry communicated (September 2010) that the service provider should be advised to open the centre at Barcelona in fulfilment of its contractual obligations. The Mission then took belated action to open the centre in January 2011. Delay by the service provider to open the centre at Barcelona constituted violation of contractual obligations.

3.1.8 Improper utilisation of budgetary allocation

The Ministry of Finance allocated a sum of ₹ 39 crore in April 2008 for improvement of infrastructure facilities in the consular wings of the Missions and Posts abroad. The Ministry further instructed that the sums allocated should be spent for specified purposes under the overall control of Head of Missions and Posts in accordance with the prescribed Government procedures and rules.

However, a review of the funds allocated and utilized in 13¹³ Missions and Posts revealed that comprehensive proposals for improvement of consular facilities were not drawn up by many Missions and Posts. Further, in eight Missions, more than 30 *per cent* of the allocated funds were surrendered or allowed to lapse. A table indicating the allocation and utilization of the special budget is given below:

(₹ in lakh)

Sl. No.	Name of the Mission	Budget allocation	Utilisation	Savings (%)
1.	Oslo	12.30	0.79	11.51(93.58)
2.	Vancouver	100.00	20.93	79.07(79.07)
3.	Helsinki	28.50	13.18	15.32(53.75)
4.	Milan	84.75	48.50	36.25(42.77)

¹³Athens, Brussels, Copenhagen, Edinburgh, Helsinki, London, Madrid, Milan, Oslo, Paris, Rome, The Hague and Vancouver

Sl. No.	Name of the Mission	Budget allocation	Utilisation	Savings (%)
5.	Edinburgh	5.00	2.92	2.08(41.60)
6.	Rome	60.00	37.00	23.00(38.33)
7.	Paris	129.00	82.36	46.64(36.16)
8.	Copenhagen	32.05	21.97	10.08(31.45)
9.	Brussels	45.00	36.35	08.65(19.22)
10.	London	1100.00	985.00	115.00(10.45)
Total		1596.60	1249.00	347.60(21.77)

Substantial savings indicate that the funds were not allocated by the Ministry on a realistic basis.

Other irregularities noticed in utilization of the special budget are discussed below:

3.1.8.1 Diversion of funds

The allocation of funds was made by the Ministry of Finance with the specific condition that the sums should be spent for improvement of facilities that included hiring of extra space if needed, construction of adequate number of counters, adequate seating arrangements for visitors, provision of basic amenities such as toilets and water and provision of additional equipment for the consular and visa wings.

However, a review of the works carried out by the Missions and Posts indicated that expenditure of ₹ 198.84 lakh was incurred on works which were not in conformity with the intended purpose of this special allocation of funds, as shown below:

(₹ in lakh)

Mission/Posts	Works not related to Consular Section	Amount
HCI, London	Repair and polish of old broken chair of antique value.	42.29
	Purchase of office equipment like PCs, software, printers for use in other wings	28.68
	Refurbishment of refreshment hall*	100.11
Embassy of India, Athens	Painting of stairwell of Chancery, purchase and installation of reception desk which was not for the consular wing and construction of book shelves for library	10.45
Consulate General of India, Milan	Purchase of stationery and other miscellaneous items	8.59
Consulate General of India, Vancouver	Purchase of furniture for Consular Wing delivered to Consul-General's residence	8.72
Total		198.84

* For general public, there was no free access to the refreshment hall.

Instances of diversion of funds like the above indicated weak financial management and internal controls within the Missions and Posts.

The Post at Vancouver stated (October 2011) that the consular services were outsourced in 2009 and it was expected that the number of visitors to the Consulate would go down drastically from 300 to 20-25 every day. Therefore, it was decided to buy furniture, keeping in mind the condition of the Consular Wing.

The purchase of furniture for the residence of the Consul-General was in violation of the objectives of the special budget allocated by the Ministry to the Post. Moreover, the furniture for the residence of the Consul-General was to be purchased from the budget of Office Expenses of the Mission and not from the special allocation for the Consular Wing.

No replies were received from the other Missions/Post.

3.1.9 Irregular award of work

(i) In terms of Rule 176 of the GFRs, single source selection is permissible only under special circumstances and after recording detailed justification, special interest and purpose to be served, with the approval of the competent authority. The Mission at London, however, deviated from the laid down procedures and appointed (May 2008) a consultancy firm viz. M/s Cuthbert Lake Chartered Surveyor without any competitive tendering, which was irregular. The firm was paid ₹ 30.14 lakh (May 2008 to April 2009) for providing building and works consultancy services.

The Mission replied (March 2010) that M/s Cuthbert Lake Chartered Surveyor had been involved in a number of projects in India House since the beginning of 1942 and their professional fees were as per rates of the Royal Institute of Chartered Surveyors and were found to be competitive. However, in the absence of competitive tendering, the reasonableness of the rates could not be ensured.

3.1.10 Unfruitful expenditure on purchase of a digital data storage system

Under the scheme for improvement of facilities, the Post at Milan purchased (March 2009) one digital data storage system¹⁴ for electronic archiving of visa,

¹⁴ LCD Monitors, PCs, Scanners, Servers and complete backup system

passport and consular records for easy retrieval, from a local firm¹⁵. The cost of the system was Euro 44,089 (₹ 27.78 lakh)¹⁶.

Audit noted that the system could not be put to use for want of application software which was to be provided by National Informatics Centre (NIC). The Ministry failed to ensure availability of the required software for running the equipment. Meanwhile, the warranty of the system also expired in March 2010.

The Post stated (March 2012) that the NIC team had not visited the Post at Milan despite repeated requests for installation of the software and provision of training. It further informed that all peripherals (computer systems and scanners) were being used for various types of office work and only the server and back up system remained unused.

The fact remains that lack of necessary coordination by MEA led to non-utilisation of the data storage system worth ₹ 27.78 lakh for the intended purposes for the last three years.

Conclusion

The Missions and Posts are responsible for administration and delivery of consular services. In carrying out these responsibilities, they are required to comply with the rules and procedures prescribed by the Government of India.

Audit noted that the Missions and Posts were not levying fees for visa and other consular services as per the rates prescribed by the Ministry, resulting in short levy of ₹ 37.26 crore. The implementation of the ICWF scheme by the Missions and Posts was delayed, resulting in non-levy of fees of ₹ 21.55 crore. Besides, there were considerable delays in remittances of consular receipts in the Government accounts. The Missions abroad were outsourcing visa services in violation of the laid down provisions, resulting in financial impropriety and lack of transparency in selecting service providers.

The Missions and Posts could not utilize the special budgets provided for improvement of infrastructure facilities for consular services and diverted the funds to other activities in some cases.

¹⁵ M/s Opimaint, Milan

¹⁶ One Euro = ₹ 63.010 (as per the official rate of exchange for the month of March 2009)

The Ministry stated (October 2011) that the Missions and Posts abroad had agreed with and taken note of the observations of Audit and had initiated steps to prevent such lapses in future. It also stressed the need for complying with the rules and procedures governing the functioning of the consular wings.

Recommendations

- *The Missions and Posts may ensure that the amount of fees levied and collected is remitted into banks promptly. The Missions may also ensure that consular receipts are duly realized and taken into the Government account before rendering the services.*
- *The Missions may ensure compliance with the Ministry's guidelines and GFRs for outsourcing of services. They may also ensure that the contractual obligations are fulfilled by the service providers.*
- *The Ministry may ensure proper assessment of budgetary allocations as per the specific requirements of each Mission and Post. The Missions and Posts may ensure proper utilization of special budgets meant for specific objectives.*
- *The Ministry may put in place a monitoring mechanism to ensure that the recipients acknowledge the receipt of its communications/orders and comply with their orders promptly.*

3.2 Recovery at the instance of Audit

Audit of the transactions of the Ministry of External Affairs and the Missions and Posts abroad revealed weak internal controls leading to overpayments. On this being pointed out by Audit, necessary recoveries were effected, as discussed below:

3.2.1 Failure to observe the prescribed rules and procedures leading to overpayments

Failure of the Missions/Posts abroad to observe the prescribed rules and procedures led to overpayment of pay and allowances and other miscellaneous payments amounting to ₹ 91.96 lakh by 56 Missions in 263 cases. These were recovered at the instance of Audit during 2009-11.

Para 3.3.3 of the Comptroller and Auditor General of India's Report No. 14 of 2008-09 had highlighted recovery of overpaid pay and allowances of ₹ 36.55 lakh from the employees of the Missions/Posts abroad at the instance of Audit during 2005-08.

The Ministry, in its Action Taken Note, had admitted (January 2010) occurrence of lapses resulting in overpayments to employees of the Missions/ Posts abroad. Further, the Ministry had stated that instructions had been issued to all the Missions/ Posts abroad to strictly observe the prescribed procedures in financial matters.

Subsequent audit of the records of various Indian Missions/ Posts abroad revealed that overpayments of pay and allowances and other miscellaneous payments continue to occur which indicated that their financial controls were weak. Recovery of ₹ 91.96 lakh in 263 cases was made at the instance of Audit during 2009-11 as detailed in **Annex-XIII**.

3.2.2 Non-application of due diligence in awarding of a contract

Lack of due diligence in evaluation of bids for setting up an IT Laboratory in Indonesia led to awarding of a contract at an extra amount of ₹ 51.67 lakh on account of unwarranted Annual Maintenance Charges and exempted Value Added Tax. At the instance of Audit, the Mission recovered ₹ 30.56 lakh and payment of ₹ 21.11 lakh was averted.

The Embassy of India floated (September 2010) tenders in connection with the setting up of an IT Laboratory project for the Indonesian Army. Based on the technical and commercial evaluation of the four bids received, the offer of M/s PT Citra Karya Semesta was found to be the lowest at a total contract value of US \$ 5,24,882.91, which included US \$ 40,925.17 towards VAT and US \$ 74,706.04 towards Annual Maintenance Charges for a period of five years. A work order was, therefore, placed (February 2011) on the firm.

Audit examination of the records disclosed that as per the approval of the Ministry, maintenance of the equipment after expiry of the warranty was the responsibility of the Indonesian Government. Further, the Mission was exempted from payment of VAT by the Indonesian Government and a certificate in this regard had been given to the vendor by the Mission. The Mission had thus erred in evaluation of the bid documents and placed an order on the lowest tenderer at an extra amount of US \$ 1,15,631.21 (₹ 51.67 lakh).

On this being pointed out (May 2011) by Audit, the Mission took up the matter with the firm and recovered (May 2011) overpayment of US \$ 68,391.75 (₹ 30.56 lakh¹⁷) and stated that the VAT amount would not be paid. Thus, at the instance of Audit, ₹ 30.56 lakh was recovered and payment of ₹ 21.11 lakh was averted.

¹⁷ @1US \$= ₹ 44.69

3.2.3 Overpayments due to weak internal controls

Weak internal controls coupled with lack of due diligence in authorizing claims of an agency hired by the Embassy of India for organizing the Festival of India in China resulted in repeated payments on duplicate invoices. The overpayment on this account recovered at the instance of Audit was ₹ 13.32 lakh.

Embassy of India in Beijing hired the services of an agency for hosting dance and music troupes from India in different cities of China for the Festival of India, during April to October 2010. The services to be offered by the agency included hotel accommodation, air ticketing, baggage and local transportation of the troupes.

Examination of the related invoices and payment vouchers by Audit revealed over-payments of RMB 1,63,840 i.e. ₹ 13.32 lakh (**Annex-XIV**) on account of the following:

- a. Three invoices with identical invoice numbers and description of services were raised thrice by the agency and paid thrice by the Mission.
- b. Eight invoices with identical invoice numbers and description of services were raised thrice by the agency and paid twice by the Mission.

On the above being pointed out (July 2011), the Mission recovered (December 2011) the entire overpaid amount.

3.2.4 Non-pursuance of a claim for eligible discount on bulk booking of speed post fees

Non-pursuance of a claim for eligible discount on bulk booking of speed post fees, by the Regional Passport Office (RPO), Mumbai resulted in avoidable expenditure of ₹ 19.80 lakh. At the instance of Audit, the RPO got the amount of ₹ 11.66 lakh refunded.

The Business Development and Marketing Directorate (BD & MD) under the Department of Posts, provided (August 2001) discount of 20 *per cent* on Speed Post fees to customers giving monthly Speed Post business of ₹ 2,50,001 and above. The Speed Post booking data was required to be submitted in electronic format for availing of the full discount. BD & MD clarified (July 2009) that with effect from September 2009, if the booking data was provided on paper manifest instead of electronic format, the bulk discount would be reduced by half.

The Regional Passport Office (RPO) Mumbai had been regularly providing monthly Speed Post business of above ₹ four lakh. It was noticed in audit that the RPO had availed of the discounts on bulk booking till December 2008. However, the practice of obtaining discounts was discontinued from January 2009, for which no reasons were on record. At the instance of Audit, RPO, Mumbai raised (August 2010) a demand for the eligible discount for the period from January 2009 on the postal authorities.

Following this, an amount of ₹ 11.66 lakh for the period January 2009 to March 2010 was recovered (September 2010).