

CHAPTER XIII : MINISTRY OF TOURISM

13.1 Irregular payment of agency handling fee to advertising agency

India tourism offices at Frankfurt, Paris, Amsterdam and Milan paid agency handling fee to the advertising agency based on a working agreement containing provisions contrary to the orders issued by the Ministry of Tourism resulting in irregular payment of ₹ 88.67 lakh during November 2009 to May 2012.

Regional Director(RD), India Tourism Office at Frankfurt (ITF) invited expression of interest (June 2009) from advertising agencies for development and implementation of a communication strategy for the India Tourism offices in Europe Region (excluding UK) based at Frankfurt, Paris, Amsterdam and Milan. The above step of ITF envisaged to position India as a preferred tourist destination leading to increase in India's share of global tourism market and foreign exchange earnings. Out of bids received from five agencies ITF shortlisted three agencies viz. M/s Serviceplan, Munich, Grey Consell, Frankfurt and Best Werbeagentur, Frankfurt and recommended to the Ministry of Tourism for appointment of an agency.

The Ministry of Tourism, Overseas Marketing Division approved (November 2009) appointment of M/s Serviceplan, Munich as the advertising agency for ITF for the Europe Region for a period of one year subject to condition that the agency would not charge any fee from the office and they would get their payments by way of commission from the media agencies. There would be no cost levied for handling campaigns with creatives provided by Ministry/ ITF. The services which would be charged on actual would include providing new designs/ creatives any changes in creatives provided, translation of text matter, adaptation of existing format and other services pertaining to presentations, etc., if required. The Ministry further instructed ITF to draw up an agreement on similar lines as the already vetted for India Tourism Office, London, incorporating the above mentioned condition.

It was noticed in audit that the ITF commenced utilising services of M/s Serviceplan without entering into an agreement as per directions of the Ministry. After delay of one year and without obtaining the approval of Ministry, the RD, ITF executed a working agreement with the Agency on 7 December 2010 specifying that advertising and media costs will be invoiced fortnightly, the payment has to be made within 14 days including 15 per cent agency handling fee.

The RD, ITF executed another agreement with the Agency on 16 December 2010 similar to the agreement executed by the India Tourism Office London (ITL) with a provision for non payment of any Fee as directed by the Ministry, but the same was not made operational. The Assistant Director (Accounts), ITF sought clarification of the claim of Fee by the Agency for invoices under agreement signed on 16 December 2010, as there was no provision for such payments. However, the RD, ITF directed to pay the Fee as per the working agreement. The RD, ITF renewed the working agreement further on 11 January 2011. Though another agreement was executed on 19 July 2011 for a period upto 31 March 2012 in conformity with the directives of the Ministry, the same was also not made operational.

As a result, the ITF and the tourism offices at Paris, Amsterdam and Milan paid Fee amounting to ₹ 88.67 lakh¹ (Euro 137860.62) to M/s Serviceplan during the period from November 2009 to May 2012 on the basis of working agreements which were not approved by the Ministry. Further, invoices amounting to ₹ 18.35 lakh towards Fee for the period from October 2011 to March 2012, were pending release of payment to M/s Serviceplan.

The matter was reported to the Ministry in January 2012.

The Ministry while agreeing to the basic facts and figures contained in the audit observation stated (March 2013) that:

- The then RD, ITF unilaterally entered into working agreement with the agency and included the provision of payment of 15 *per cent* agency commission as agency handling fee without obtaining the approval of the Ministry.
- A disciplinary case was being initiated to fix the responsibility on the erring Government Servant i.e. the then Regional Director, ITF who had since retired and clearance of his retirement dues would be subject to settlement of audit objections involving personal recoveries.
- Payment towards pending bills had been released to M/s Serviceplan after reducing the 15 *per cent* agency fees.
- Working agreements being ambiguous and sanctity of the same being doubtful, opinion of the Law Ministry had been sought so as to

¹ Frankfurt ₹ 76.62 lakh, Paris ₹ 9.45 lakh, Amsterdam ₹ 2.28 lakh, Milan ₹ 0.32 lakh

explore the possibility of taking legal recourse in case M/s Serviceplan went into litigation.

The facts point towards lack of effective internal control by the Ministry over the activities of RD, ITF, which resulted in irregular payment of ₹ 88.67 lakh to the advertising agency. Further, in absence of any documentary evidence furnished by the Ministry, audit was unable to substantiate Ministry's reply with regard to release of payment towards unpaid invoices amounting to ₹ 18.35 lakh after deduction of 15 *per cent* agency fees.